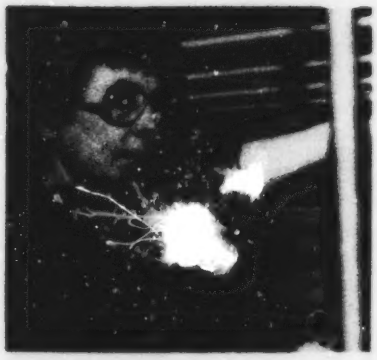
Saskatchewan Power Corporation

# Annual Report



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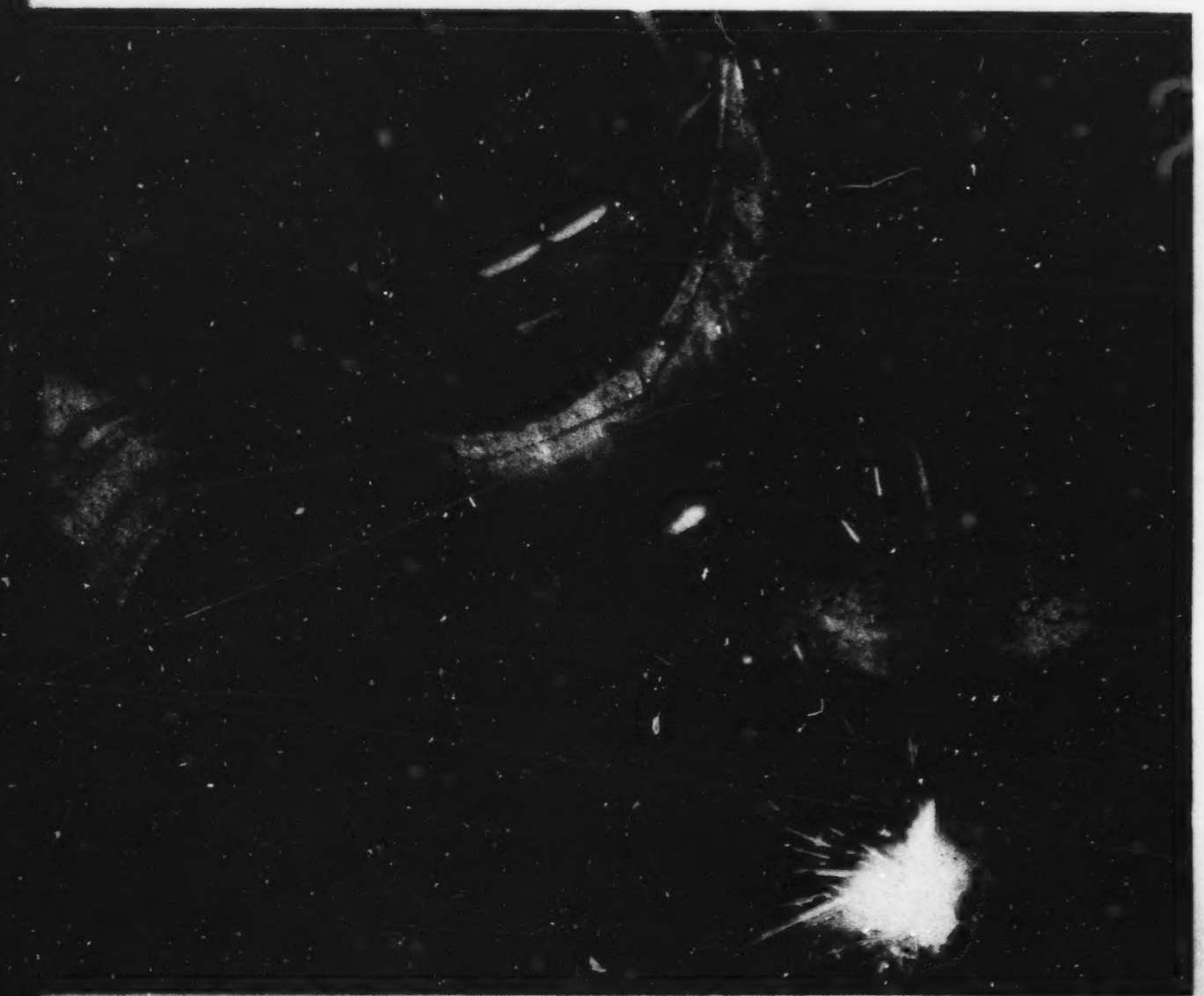

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# Corporate Highlights

| | 1984 | 1983 |
|---|---|---|
| | ($ millions) | |
| Revenue | 797.2 | 704.9 |
| Net Income (Loss) | 9.6 | (19.7) |
| Funds from Operations | 87.7 | 47.5 |
| Capital Expenditures | 306.7 | 348.5 |
| Energy Delivered to Customers | | |
| — electricity (billions of kilowatt hours) | 9.9 | 9.1 |
| — natural gas (millions of cubic metres) | 3 020 | 2 823 |

Saskatchewan Power Corporation
2025 Victoria Avenue
Regina, Saskatchewan
Canada S4P 0S1

**Austin Devers, employee of Federal Pioneer Ltd. in Regina assembles transformers to fill an order from SPC.**

# Letter of Transmittal

Regina
1985 March

To His Honour
F. W. Johnson
Lieutenant Governor
of the Province of Saskatchewan

Having been appointed Minister-in-Charge 1985 January, I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ending 1984 December 31, including the financial statements for the year duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Power Corporation Act.

I have the honour to be, Sir,

Your obedient servant,

Eric A. Berntson,
Minister-in-Charge
Saskatchewan Power Corporation

# Board of Directors

## Minister-in-charge
## 1982 June to 1985 January

**Hon. L. A. (Lorne) McLaren**

**Hon. L. A. (Lorne) McLaren,** Minister in Charge and Vice-Chairman, Yorkton.
Appointed 1982 June and retired 1985 January.

Mr. McLaren is Minister of Labor, and Vice-Chairman of the Crown Management Board. Mr. McLaren spent 31 years with the Morris Rod-Weeder Company Ltd., a farm equipment manufacturer in Yorkton.

**G. D. (George) Hill, QC,** Chairman, Estevan.
Appointed 1982 June and retired 1984 December 13.

Mr. Hill was a partner in the law firm of Hill, McLellan, Cundall and Bridges in Estevan. He has also been an active farmer and businessman. He became chairman of the board of SPC on 1983 November 04.

**D. (Donald) Stankov, CA,** Regina.
Appointed 1982 June. Mr. Stankov was appointed Chairman 1985 January.

Mr. Stankov is secretary-treasurer of Thyssen Mining Construction of Canada Ltd.

**A. E. (Alfred) Bechard,** Sedley.
Appointed 1982 October.

Mr. Bechard is a grain farmer and is a past director and chairman of the board of the Weyburn Inland Terminal Ltd. He has also been active on various community service boards.

**W. H. (Wally) Blaisdell, APR,** Regina.
Appointed 1982 June.

Mr. Blaisdell spent 20 years working in the energy industry, including 19 years with SPC. He is now executive vice-president and general manager of Pioneer Life Assurance Company.

**E. A. (Edward) Laurence,** Yorkton.
Appointed 1982 October.

Mr. Laurence is president of Laurence Investments Ltd., Yorkton and vice-president/secretary treasurer of the Yorkton Broadcasting Company.

**M. N. (Monty) Manning.** North Battleford.
Appointed 1982 October.

Mr. Manning is owner of Manning Mercury Sales Ltd., an auto and farm implement dealership in North Battleford.

**F. A. (Dan) Meyers,** Saskatoon.
Appointed 1982 June.

Mr. Meyers is owner and president of Meyers Auto and Industry Limited and is involved in community service.

**P. (Patricia) Olynik,** Moose Jaw.
Appointed 1982 November.

Mrs. Olynik is a homemaker who is very active in community affairs and has been a director of several organizations.

**L. (Laura) Smith,** Pathlow.
Appointed 1982 November.

Mrs. Smith is engaged in full-time farming, with past experience in library work. She has participated in municipal affairs and community activities.

**G. R. (Glenn) Thorpe,** Yorkton.
Appointed 1982 October.

Mr. Thorpe was general foreman of powerline construction with SPC for 15 years and has since done private contracting with his own company, Tower Line Contractors Ltd., until his retirement.

**F. W. (William) Woodward,** Regina.
Appointed 1982 June. Retired 1985 January.

Mr. Woodward is executive vice-president of Reed Stenhouse Ltd., an insurance firm, and is a director of Comaplex Resources Limited, an oil and gas firm.

D. Stankov G. D. Hill E. A. Laurence F. W. Woodward

## Finance Committee

From Left: A. E. Bechard, P. Olynik, W. H. Blaisdell, and G. R. Thorpe.

## Audit Committee

L. Smith F. A. Meyers F. W. Woodward D. Stankov M. N. Manning

## tchewan

## oration

chewan Power
n (SPC) was established
-Council in 1949 and
as a Crown corporation
of the Legislature passed
replaced the
an Power Commission,
in 1929 to develop an
provincial electrical

it was the corporation's
objective to extend service
villages, hamlets and
ng inadequate or no
rvice. Under The Power
n Act, the mandate of
es the generation,
n, distribution, sale and
lectrical energy; and the
or purchase,
n, distribution and sale of

oration began operating
gas utility in 1952 and by
1984, 410 cities, town and
e being served. At the
, the corporation was
867 customers with
nd 253 438 customers
l gas
atchewan Power
n is governed by a Board
that determines policy
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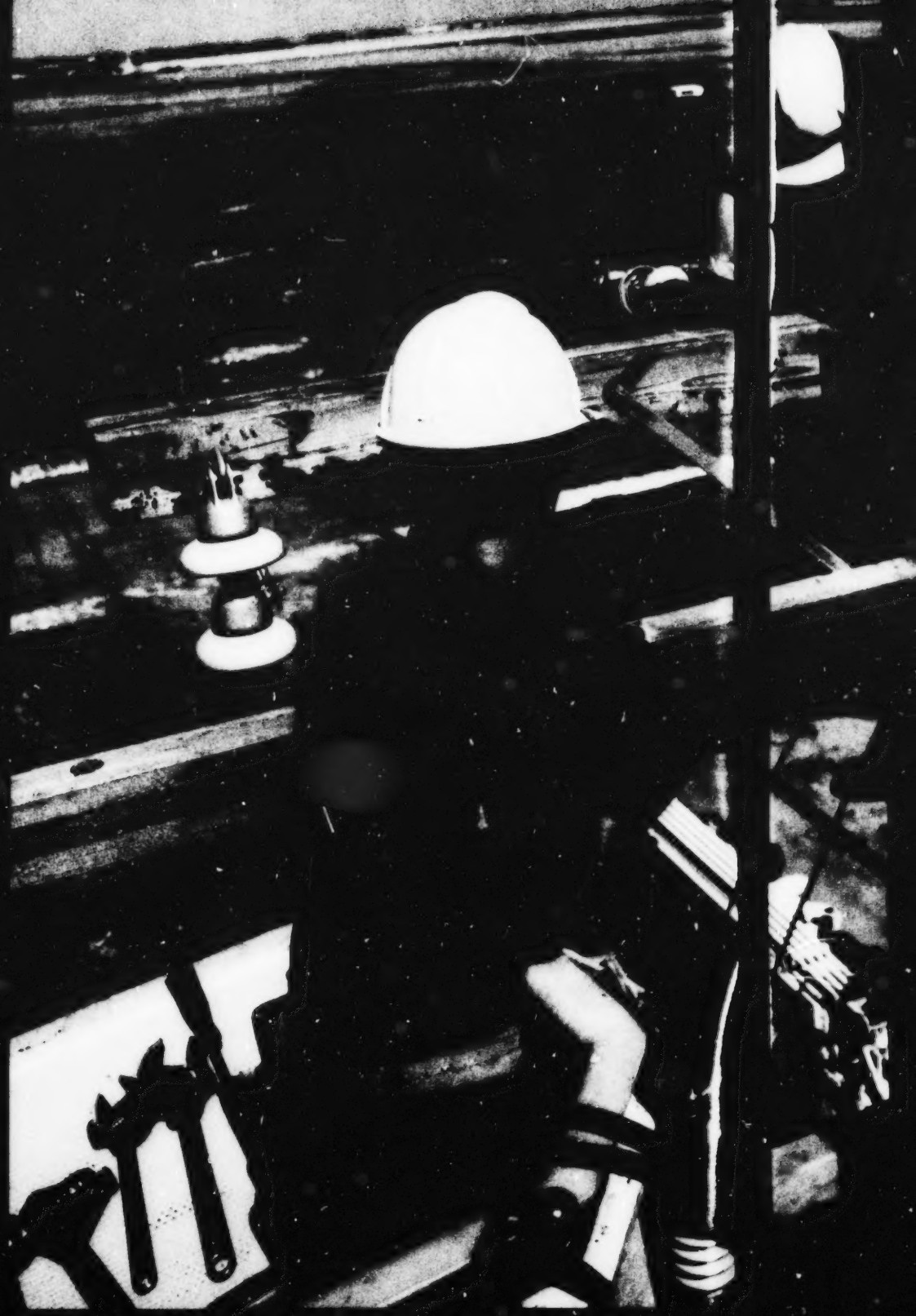
Saskatchewan, which
hed in 1982 December



Linemen Doug Hamilton and Brent Pollock dead end an overhead line at cable dip location.

# Chairman's Letter

In 1984, the corporation earned a profit for the first time since 1980. The programs initiated over the previous two years to reduce costs and improve productivity, combined with reasonable rate increases and increased energy utilization by customers, have all contributed to the turn around in profitability.

The employees of SPC are to be commended for their hard work and co-operation in implementing these programs and working under restraint conditions.

The corporation's first electric and gas rate case before the Public Utilities Review Commission was completed during 1984. In 1984 an average increase in electricity rates of 9.2 per cent was authorized effective August 01. In addition, a revision to the natural gas rates among the various customer categories moved them closer to the cost of providing service with no additional revenue to SPC.

In June, Saskatchewan Power Corporation Savings Bonds were issued for the first time. The issue was extremely successful with total sales in excess of $60 million. The bonds, sold only to Saskatchewan residents, are redeemable at full face value at six-month intervals, have a three-year maturity and carry a minimum interest rate of 11½ per cent. The rate may be increased at the discretion of the Minister of Finance.

On November 30, the corporation sold its Poplar River Coal Mine to Manalta Coal Ltd. The transaction was completed after a year of analysis of proposals received from six Canadian and international coal mining companies. The Poplar River Mine will be operated by Prairie Coal Ltd., a new wholly-owned Saskatchewan subsidiary of Manalta Coal.

Under the terms of the agreement, Saskatchewan Power Corporation entered into a long-term contract to purchase coal for the Poplar River Power Station. It is estimated that the corporation will benefit to the extent of $246 million over the life of the contract as a result of lower fuel cost. The savings are possible because Prairie Coal will, after approximately five years, move the coal mining operation to nearby reserves held by Manalta Coal Ltd. which are more economical to mine because of a much lower stripping ratio, a thicker coal seam and a more stable geological setting.

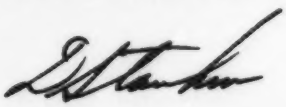
In addition, the corporation will receive approximately $102 million which will considerably reduce the amount of new debt required in 1985.

The use of electricity continues to increase. To reliably meet this growth SPC will, in addition to the Nipawin hydroelectric project, require new peaking and new base load capability. The available options include additions to the Poplar River Power Station, the construction of a new power plant near Estevan, purchase alternatives from outside Saskatchewan and the installation of gas turbines. It is expected that a decision on which alternatives are most appropriate will be made during the first half of 1985.

These future capital commitments, coupled with the loss of over $28 million in the electric utility in 1984 reflect the need for additional income. The heavy debt burden and continuing losses in the electric utility is a matter of serious concern.

I look forward to working with the Board of Directors, and the management and staff of the corporation, in the coming year. It is our goal to continue to provide the energy needs of the Saskatchewan public, and the business and industrial community, in a reliable, safe and economical manner.

I also wish to acknowledge the significant contribution of Mr. George D. Hill, Q.C., who was vice-chairman from 1982 June to 1983 November, and was chairman from 1983 November to 1984 December 13, at which time he was appointed to the Court of Queen's Bench for Saskatchewan.



D. Stankov
Chairman

# President's Letter

Saskatchewan Power Corporation, after three successive years of losses, had a consolidated net income, before extraordinary gains and losses, of $3.1 million in 1984 compared to a loss of $19.7 million a year earlier. This resulted from rate increases authorized by the Public Utilities Review Commission in 1983 and 1984 coupled with an aggressive cost control program and higher energy requirements by customers, particularly the large industrial class. After extraordinary gains and losses, the 1984 consolidated net income was $9.6 million. Total revenue reached an all time high of $797 million, up $92 million or 13 per cent over 1983.

The consolidated net income was the result of net income of $31.7 million in the gas utility and a loss of $22.1 million in the electric utility.

A cost control and productivity improvement program was maintained during the year. As a result, controllable operating, maintenance and administrative costs, including all wages and salaries, materials, and supplies, and service contracts, were held to an increase of 3.8 per cent over 1983. This was achieved while serving 5 400 more electric customers and 9 000 more gas customers and while delivering 8.4 per cent more electricity and 7.0 per cent more gas to all customers.

Very low water flow in the Saskatchewan River and Churchill River systems resulted in hydro-electric production being 37 per cent lower than in an average water flow year. The reduced hydro energy was made up by higher production from the corporation's thermal plants, thereby increasing fuel cost by $9.8 million.

Relative to the U.S. dollar, the Canadian dollar fell from 80.36 cents U.S. at the beginning of 1984 to 75.66 cents U.S. at year end. If the dollar had maintained its January 01 value, the cost of servicing the corporation's U.S. debt including provision for foreign exchange at maturity would have been $12.8 million lower than actually occurred.

During 1984, the corporation entered into 28 new natural gas supply contracts with Saskatchewan producers. This new Saskatchewan production largely replaces higher cost Alberta natural gas and creates significant economic benefits for Saskatchewan.

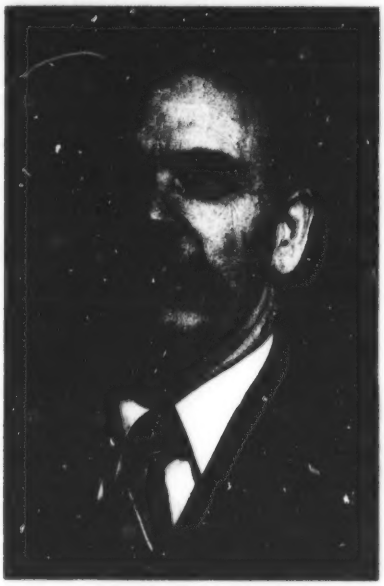
The new contracts have a value of $35.2 million per year at 1984 prices. They directly resulted in an investment of $63 million by the producers in drilling 372 wells and constructing associated pipelines and compression facilities. In addition the corporation invested $5.5 million in pipelines to connect these new gas sources to the transmission system.

The corporation plans, over time, to reduce its reliance on Alberta supplies and to increase the utilization of Saskatchewan gas. This new Saskatchewan production is the first step in achieving this objective. The proportion of Saskatchewan gas was increased from 36 per cent in 1983 to 44 per cent in 1984.

The corporation continued to use its extensive purchasing power to encourage the manufacture in Saskatchewan of regularly used items which previously have come from outside of the province. During the year, new in-province sources were found for manufactured items which have an expected annual value of about $10 million.

An additional 3 610 rural and 1 363 urban customers were provided with natural gas service under the Saskatchewan Natural Gas Distribution Program. Since the program began in 1982 a total of 5 964 rural and 5 743 urban customers have been served.

The results of 1984 could not have been achieved without the hard work and dedication of employees at all levels who made possible the high quality of service provided to customers while at the same time participating in the corporation's cost control program. I commend all employees for their dedication to the corporation and to its customers.



I thank the Chairman and Directors for their leadership, guidance, and encouragement.

E. B. Campbell
President

# Customer Service

Customers used 9 861 000 MW·h* (megawatt hours) of electricity in 1984, 8.4 per cent more than in 1983. This increase is largely due to industrial consumption being more than 19 per cent higher than the previous year. Sales to the oil, potash, steel and pipeline pumping industries have all grown substantially from 1983. Installation of electric services to oil wells in 1984 increased by 80 per cent compared to those installed in 1983. Almost two-thirds of the new services have been in the Kindersley region.

The combined effect of continued electric load growth and an aging distribution system necessitated a detailed planning review to examine the future electrical needs of the city of Regina. As a result, SPC has embarked on a major program to replace facilities and to develop an electric system to meet the needs of the city to the year 2000.

A second pilot project to install rural underground electrical distribution facilities in an area south of Melfort was completed. Old overhead electrical lines were replaced with underground cable to connect 26 farm and rural customers plus eight in the community of Lipsett. The experimental project is part of SPC's long-term plan to rebuild most of the single-phase rural electrical distribution system over the next 15 to 20 years. If the project is technically and economically sound, the elimination of overhead wires will improve convenience and safety on farms.

The total use of natural gas by customers increased seven per cent from 2 823 million cubic metres in 1983 to 3 020 million cubic metres in 1984. Despite the early onset of winter and a cold December, the weather in 1984 was 3.2 per cent warmer than 1983. However, greater industrial activity led to industrial consumption being up by 8.4 per cent over the previous year.

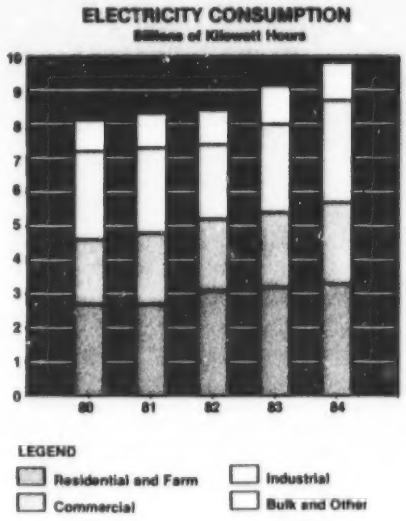
Natural gas service was made available to 8 997 new customers including 4 973 under the Saskatchewan Natural Gas Distribution Program.

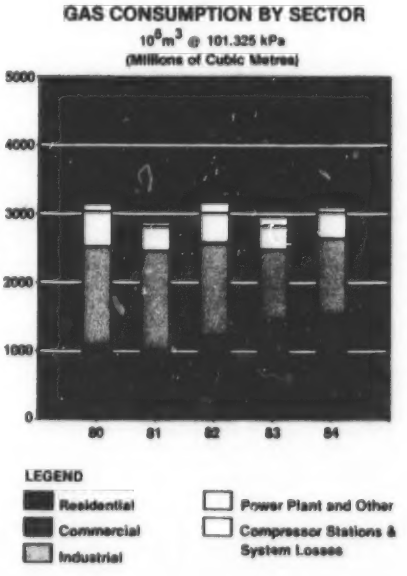
## Saskatchewan Natural Gas Distribution Program

The Saskatchewan Natural Gas Distribution Program provided service to 3 610 rural properties and 1 363 customers in urban communities for a total cost of $44.7 million. A total of 7 500 km of plastic pipe and 164 km of steel pipe were installed.

It is estimated that the program directly created 500 jobs. Six engineering firms were engaged to provide engineering services and project management. All land rights acquisition and crop damage settlements were handled by six independent land companies. Twenty-two pipeline contractors were awarded contracts for the pipeline installation. Spin-offs include a substantial increase in business for heating contractors. Additional benefits of the program include increased work for trucking companies, various sub-contracting and construction firms, drafting and blueprinting companies, surveyors, inspection firms, couriers, hotels, restaurants and service stations.

The program utilized local residents to assist in customer sign-up. A total of 200 rural residents and 30 residents in communities provided these services.




* one megawatt hour is equivalent to one thousand kilowatt hours.

## Other Programs

A natural gas vehicle (NGV) demonstration project was undertaken at a farm east of Regina. The project is sponsored jointly by SPC, Saskatchewan Science and Technology, and Westank-Willock, a division of Willock Industries Limited, a Regina-based steel and aluminum fabricator. Currently, a grain truck, pick-up truck, car and diesel tractor have been converted to operate on natural gas.

Although conversion of the gasoline engines was relatively straightforward, conversion of the diesel tractor engine relied upon developing technology. The vehicles are filled at the farm from a prototype gas compressor and storage tank.

The town of Edenwold was converted from propane to natural gas in 1984. This terminated a pilot project which began in 1973 with the installation of a central plant propane distribution system.

A 17 km gas transmission line was constructed from McLean to Edenwold to serve the 83 customers in Edenwold as well as a nearby rural gas project.

The Enerwise Program commenced 1984 March 01. While continuing to encourage the wise use of energy, the program is designed to serve as a tool to open up new markets for natural gas and electricity.

Enerwise loans, which offer up to $3 000 at low interest repayable over five years, can be used to increase the thermal efficiency of buildings and/or to install, convert or upgrade existing heating systems to utilize natural gas or hybrid electric/oil units which use electricity during off-peak hours and switch to oil during peak hours. To year-end, $5 million was loaned to customers on 2 978 applications.

Sask Power Corp., Westank-Willock and Dept. of Science and Technology are performing a demonstration project in the use of NGV for farm vehicles.

## Customers served at December 31

| Electricity | 1984 | 1983 |
|---|---|---|
| Residential | 265 640 | 260 405 |
| Farm | 71 916 | 72 330* |
| Commercial/Industrial | 47 366 | 46 771 |
| Street Lights | 930 | 929 |
| Intersystem and Other | 15 | 16 |
| TOTAL | 385 867 | 380 451 |
| **Natural gas** | | |
| Residential | 217 830 | 212 450 |
| Farm | 5 796 | 3 331 |
| Commercial/Industrial | 29 800 | 28 649 |
| Other | 12 | 11 |
| TOTAL | 253 438 | 244 441 |

* Adjusted

## Corporate Executive

**E. B. (Bruce) Campbell, P.Eng.**
President

**O. W. (Oscar) Hanson, P.Eng.**
Senior Vice-President,
Customer and Corporate Services

**R. G. (Bob) Lawrence, P.Eng.**
Senior Vice-President,
Operations

**A. J. (Tony) Bast**
Vice-President,
Human Resources

**F. R. (Fred) Bates**
Vice-President,
Customer Services

**J. B. (Barrie) Hodgson**
Vice-President,
Public Affairs

**H. (Harvey) Jim, CA, P.Eng.**
Vice-President,
Finance

**V. H. (Virgil) Nelson, P.Eng.**
Vice-President,
Regulatory Affairs and
Strategic Planning

**G. K. (Keith) Rever, P.Eng.**
Vice-President,
Electric Operations

**E. R. (Roy) Smith, P.Eng.**
Chief Engineer

**B. A. (Barry) Steuart, P.Eng.**
Vice-President,
Gas Operations

**K. D. (Katherine) Wellman, QC**
General Counsel and Secretary

# Electric Utility

## Electric Operations

The annual system net peak demand reached 2 095 MW* (megawatts) on 1984 December 18, 4.2 per cent above the previous record high of 2 010 MW on 1983 December 19 and 20. This load was 164 MW above the load forecast for 1984.

Water flows on the Saskatchewan River system were much below normal in 1984. The inflow to Lake Diefenbaker on the South Saskatchewan River was 44 per cent of the long-term average, the lowest on record. The flow on the North Saskatchewan River was 79 per cent of the long-term average, while the flow on the Churchill River at Island Falls was 89 per cent. These flows reduced by 37 per cent the amount of low-cost hydroelectric energy available to the system compared to an average year. Replacing this hydroelectric energy with thermally generated electricity resulted in an increase in the cost of fuel of $9.8 million.

The Estevan Generating Station, which was operating at reduced output in 1983, returned to full service in late 1984 to help meet the load growth.

Thermal generating stations produced 83 per cent of the total electricity supply, up from 75.1 per cent in 1983. Hydro generating stations supplied only 14.9 per cent of the total electricity, which was down from 21 per cent in 1983. A total of 2.1 per cent of Saskatchewan's electricity was imported from utilities in Manitoba and North Dakota. This was down from 3.9 per cent last year.

Saskatchewan lignite coal burned at the Boundary Dam Power Station, the Estevan Generating Station and the Poplar River Power Station supplied 79.6 per cent of the electricity required in 1984, up from 72.3 per cent in 1983.

Production of the corporation's coal requirements stimulates the economy of the Coronach and Estevan areas and creates employment for 310 people. In addition, spin-offs have created indirect employment for many others in the service industries.

Land reclamation activities in accordance with Saskatchewan Environment's reclamation guidelines were conducted in the Coronach and Estevan areas. Sixty-two hectares of spoil were levelled, 100 ha** (hectares) of topsoil were replaced on levelled spoil and 125 ha of replaced topsoil and levelled spoil were seeded.

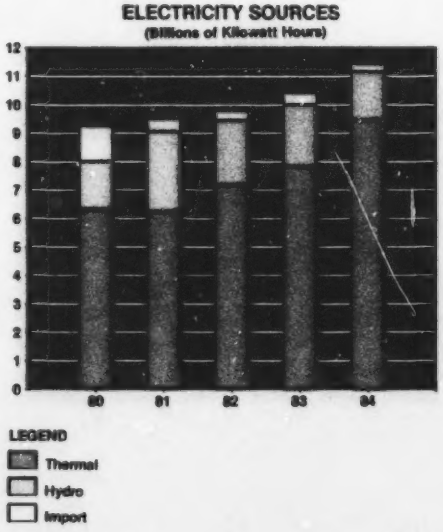
There was an 18.5 per cent decrease in fly ash sales, which totalled 36 780 Mg*** (megagrams) of which 3 616 Mg was delivered to the Nipawin Hydroelectric Project. Gross revenue from fly ash sales was $1.4 million, a decrease of 32.4 per cent from 1983. The reduction in sales and revenue was the result of lower requirement for fly ash at the Nipawin project. Fly ash recovered from the burning of lignite coal at the Boundary Dam Power Station is sold as a replacement for a portion of the cement used in concrete.

## Poplar River Coal Mine

On 1984 November 30, SPC sold its Poplar River Coal Mine to Manalta Coal Limited for $101.8 million. At the same time, the corporation entered into a 30-year contract for the supply of coal to the Poplar River Power Station. The mine will be operated by Prairie Coal Ltd., a subsidiary of Manalta Coal.

During approximately the first five years of the coal supply agreement, Prairie Coal will continue to operate the existing mine at its present location. Mining will then be relocated to reserves held by Manalta Coal which have a lower stripping ratio, no significant ground water problems and more stable overburden conditions. The lower mining costs for these reserves will result in an estimated saving to the corporation of $246 million over the life of the agreement.

Under the terms of the sale agreement, 137 of the 140 employees at the mine accepted employment with Prairie Coal. Three employees remained with SPC as part of a small nucleus of head office employees in the coal supply department. Its function will be to administer the contracts involved with the supply of coal to SPC's coal-fired power stations at Estevan, Coronach and Saskatoon. Unionized employees retain seniority rights and the right to apply for positions at SPC that become available in the International Brotherhood of Electrical Workers bargaining unit until 1986 May 31.




* one megawatt is equivalent to one thousand kilowatts.

** one hectare is equivalent to 2.47 acres.

*** one megagram or tonne is equivalent to 2 204.6 pounds.

## 1984 Generation Statistics

| | 1984 Rated Generating Capacity (gross kilowatts) | 1984 Gross Generation (kW·h $10^3$) | 1984 Gross Generation Increase or (Decrease) (From 1983) |
|---|---|---|---|
| HYDRO | | | |
| Squaw Rapids | 288 000 | 631 190 | (27.7) |
| Coteau Creek | 186 000 | 302 528 | (49.8) |
| Island Falls | 95 000 | 768 801 | 8.3 |
| Total Hydro | 569 000 | 1 702 519 | (22.1) |
| STEAM | | | |
| Boundary Dam | 875 000 | 5 534 010 | 11.4 |
| Estevan | 65 000 | 153 493 | (21.7) |
| Poplar River | 592 000 | 4 180 900 | 41.0 |
| Queen Elizabeth | 232 000 | 325 715 | 3.0 |
| Total Steam | 1 764 000 | 10 194 118 | 20.7 |
| GAS TURBINE | | | |
| Landis | 60 000 | 34 498 | (4.3) |
| Meadow Lake | 46 000 | 3 454 | |
| Success | 30 000 | 290 | (29.3) |
| Total Gas Turbine | 136 000 | 38 242 | 4.9 |
| TOTAL (CAPACITY) GENERATION | 2 469 000 | 11 934 879 | 11.9 |
| Less Station Service | | 785 827 | 15.7 |
| Net Generated | | 11 149 052 | 11.6 |
| Net Imported | | 241 594 | (40.8) |
| Net Generation Plus Import | | 11 390 646 | 9.6 |
| Northern Diesel Plants | 6 400 | 6 363 | (32.1) |
| Northern Purchases | | 8 339 | 39.2 |
| TOTAL DELIVERED TO SYSTEM | 2 475 400 | 11 405 348 | 9.5 |
| Less: Losses and Unaccounted for | | 1 544 520 | |
| ENERGY SOLD | | 9 860 828 | 8.4 |
| Annual Peak Load (Net) | 2 095 000 | | |

## Electric Planning and Development

### Load Growth

Load forecasts indicate the need for additional sources of electricity following the completion of the Nipawin hydroelectric project. The options available include additional generating facilities in Saskatchewan or purchases from neighboring utilities. Studies to identify the best of the available alternatives continued during the year.

### Construction Activities

Good progress continued to be made on the 252 MW Nipawin Hydroelectric Project with the first unit scheduled for commercial operation in 1985 November. Virtually all concrete has been placed and work on the remainder of the project is progressing on schedule.

The Saskatchewan River was diverted from its original path through the river closure structure on September 25. Work also continued on clearing trees from the future Codette Reservoir with about 90 per cent of the area now cleared. About 400 000 $m^3$ (cubic metres) of gravel has been recovered from the area to be flooded and stockpiled for future use.

Over 7 600 person-months of on-site employment were created as a result of the Nipawin project in 1984, with the work force peaking at 897 in June. Approximately 80 per cent of the contractors' employees are Saskatchewan residents.

Transmission requirements for the project include the Nipawin-Codette 230 kV line, Codette-Beatty 230 kV line, Nipawin transformer station and revisions to Codette and Beatty Switching Stations. Environmental approval was obtained for the Codette-Beatty line. During 1984, civil construction at the switching stations was completed. Line surveys have been completed, merchantable timber removed from the right-of-way through the Fort-a-la-Corne Forest, and general brush clearing started. All of this work has been completed by Saskatchewan contractors.

A 46 MW gas turbine generator was installed and a new switching station constructed near Meadow Lake. The project provided additional reinforcement to the electric system, particularly in the Meadow Lake, Glaslyn and Buffalo Narrows areas.

The new Auburnton 230/72 kV substation was put into service in 1984. This substation will reinforce the electrical supply to the southeast part of the province near Alida. Saskatchewan contractors were used on this project for all civil construction, including site grading, fencing, concrete foundations, control building and steel structures.

### Studies

Work continued on studies for two thermal power plant options.

The major thermal options being considered are an addition of one or two 300 MW units to the Poplar River Power Station or the development of a new two-unit 600 MW power plant near Estevan.

These studies include the identification of a secure water supply and environmentally acceptable ash disposal system for the Poplar River option. A feasibility study including a preliminary cost estimate and analysis of various cooling possibilities is included in the studies for a new plant near Estevan.

A total water management proposal for the Souris River Basin is being considered in conjunction with U.S. authorities. This proposal includes the possible construction of the Rafferty Dam which, among other uses, would ensure sufficient water for a new 600 MW plant as well as improve the security of the water supply for the Boundary Dam Power Station. A flood control reservoir on Moose Mountain Creek and a floodway from the Boundary Dam reservoir to the Rafferty Reservoir are also part of this proposal.

The corporation is considering a 300 MW purchase contract with Manitoba to meet the energy requirements of the early 1990s. A joint interconnection study is ongoing with Alberta Power which could be used to share reserve generation capacity installed by the utilities, thus providing additional peaking capacity to both systems at moderate cost.

These options are being evaluated against SPC's lowest cost thermal power plant options and the installation of low-cost peaking capacity, such as gas turbines.

The electrical load growth in the west central part of the province around North Battleford has created a need for reinforcement of the transmission system serving that area. Technical studies determined that the best solution is a 230 kV transmission line from Coteau Creek to a new switching station at Brada near North Battleford.

The corporation has been approached by a group interested in constructing a small thermal power plant which would use aspen as its fuel. Electricity generated through the integrated power generation and cattle feedlot operation would be sold to SPC. Discussions and further analyses are under way to determine the conditions under which such a project would be mutually beneficial.

Construction activity continues at a brisk pace at Nipawin Hydroelectric Project.

Work crew closes Saskatchewan River to divert flow through Nipawin Hydroelectric Project.

New Meadow Lake gas-fired generating station provides reinforcement capacity for customers in the northwestern part of the province.

# Natural Gas Utility

## Natural Gas Operations

The total volume of natural gas delivered to the system was 3 048 million cubic metres, up 6.1 per cent from 1983.

The largest volume of natural gas used in a single day in 1984 was 17.4 million cubic metres on December 29. This is 13 per cent below the record of 20.0 million cubic metres set on 1983 December 23.

During 1984, storage facilities were capable of producing at a rate of 8.9 million cubic metres per day or 49.4 per cent of the peak daily demand. Natural gas storage facilities maximize the use of transmission and compression facilities during low demand periods and store gas that is later used to meet high winter peaks.

The corporation entered into 28 new gas supply contracts with Saskatchewan producers during 1984. These contracts involve the supply of 540 million cubic metres per year or 18 per cent of the total 1984 Saskatchewan requirements. The additional supplies are required to meet market growth and to offset declining deliveries from existing sources.

SPC estimates that as a result of these contracts, its suppliers invested more than $60 million in the drilling of some 370 gas wells, together with the related gathering pipelines and compressor stations.

## Natural Gas Planning and Development

The corporation's objective is to encourage Saskatchewan gas producers to explore and develop new sources of natural gas, despite the limited market potential that exists until the early 1990s.

To encourage exploration and development of Saskatchewan gas reserves, SPC entered into 10 agreements with oil and gas companies, who will earn interests in gas leases held by the corporation by drilling exploration wells at their risk. The estimated expenditures by the corporation's partners in 1984 was $2 million, and drilling and reserve development on these lands is expected to continue in future years.

During 1984, as a result of joint ventures, including the 1984 farmouts, the corporation participated in 35 successful gas wells in Saskatchewan and 19 in Alberta. On average, the corporation's working interest in the Saskatchewan wells was 56 per cent and in the Alberta wells 48 per cent. The corporation's share of the proven reserves resulting from this program was 867 million cubic metres.

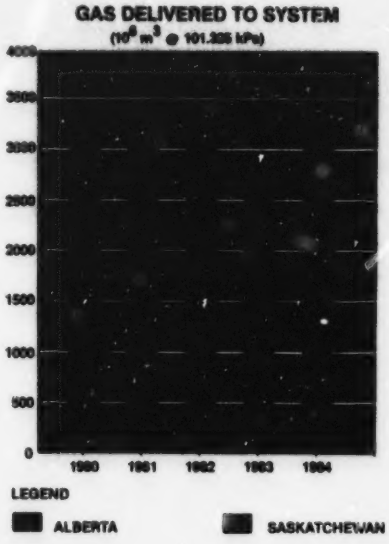
This brings the total proven reserves owned by or contracted to SPC to 66 695 million cubic metres at year-end, which is equivalent to 22 years' supply at the 1984 consumption rate.

Natural gas planning is addressing the major problems of daily peak demand on the system and long-term security of supply.

Deliverability was increased to help meet daily peak demands by drilling additional wells in existing fields at Many Islands, Unity and Beacon Hill. Improvements were made to the pipeline system and compressor station at Beacon Hill to handle the increased production.

The No. 5 storage cavern at Regina was filled with natural gas and placed in service as scheduled to help meet the peak loads of the 1984/85 winter heating season. Studies were under way on the development of caverns 3 and 4 at Prud'homme to increase peaking capability in the Saskatoon area.

A new compressor station was built at Chaplin to increase the capacity of the Success to Regina transmission line. In addition, the corporation constructed 18 km of gathering line to connect new gas sources, 274 km of transmission line to connect new customers and 184 km of line looping to increase delivery capability to a number of areas.




**Gas Supply Sources**
**($10^6$ m$^3$)**
**(millions of cubic metres)**

| Sources | 1984 | 1983 | Increase (Decrease) % |
|---|---|---|---|
| **Alberta** | | | |
| TCPL | 945 | 1094 | (13.6) |
| Field Suppliers | 395 | 458 | (13.8) |
| SPC Production | 469 | 415 | 13.0 |
| Total | 1809 | 1967 | (8.0) |
| **Saskatchewan** | | | |
| Field Suppliers | 1142 | 836 | 36.6 |
| SPC Production | 97 | 69 | 40.6 |
| Total | 1239 | 905 | 36.9 |
| **Total Volume Delivered** | 3048 | 2872 | 6.1 |
| Storage, Fuel and Other Uses | (28) | (49) | 42.9 |
| TOTAL SOLD | 3020 | 2823 | 7.0 |

Phil Sandham, project engineer, fills cavern with natural gas by displacing brine at No. 5 storage cavern in Regina.

Preparing gas pipeline to new district regulator station to serve northwest Regina.

## System Control Centre

A major milestone was reached on 1984 May 17 with the official commissioning of the new System Control Centre located on the east side of Regina. The control centre, with its state-of-the-art computerized systems and communication network, carries out three essential functions. These are the control and dispatch of natural gas, the control and dispatch of electricity and the response to customer trouble inquiries for the entire province.

The control centre's computer system was commissioned in 1984 January and the electrical grid management function was transferred from head office on April 24. The gas operations control and customer inquiry function followed in June. In 1984 December, the entire function from the Estevan area control centre was transferred to the new facility.

The computer-based control system allows the provincial gas and electric systems to be controlled through more than 80 remote terminal units located at facilities throughout the province. It provides faster, more comprehensive information processing for operators as well as economic dispatch capabilities which enable the systems to be operated at peak efficiency.

The modern communication network to the centre ensures that customer trouble calls will be responded to quickly, thus minimizing inconvenience to customers.

The project will be completed in 1985 with the transfer of all functions from the Saskatoon area control centre. It will be well ahead of schedule and below the budgeted cost of $22.5 million.

## Buy Saskatchewan Program

Late in 1983, a program was announced to encourage Saskatchewan manufacturers and suppliers to do business with SPC and to stimulate production and competition in the Saskatchewan marketplace. The fostering of economic development within the Saskatchewan business community is expected to generate increased employment.

The total value of purchased commodities, supplies and services, from Saskatchewan firms for 1984 was $243 million. This large sum of purchasing power distributed throughout urban and rural Saskatchewan has had a significant impact on the economic life of the province.

The Buy Saskatchewan program is resulting in more manufactured goods being produced in the province which, prior to 1984, were manufactured elsewhere. This will also result in new permanent jobs. Typical products now manufactured in Saskatchewan are rectifiers, voltage regulators, fibre glass utility bodies for trucks, coveralls, street light standards and laminated wooden cross arms.

In addition, negotiations were completed for the establishment of a plastic pipe manufacturing plant in Saskatoon which will increase SPC's in-province purchases in future years by $5 million to $7 million per year. This plant will come into operation in 1985.

## Research and Development

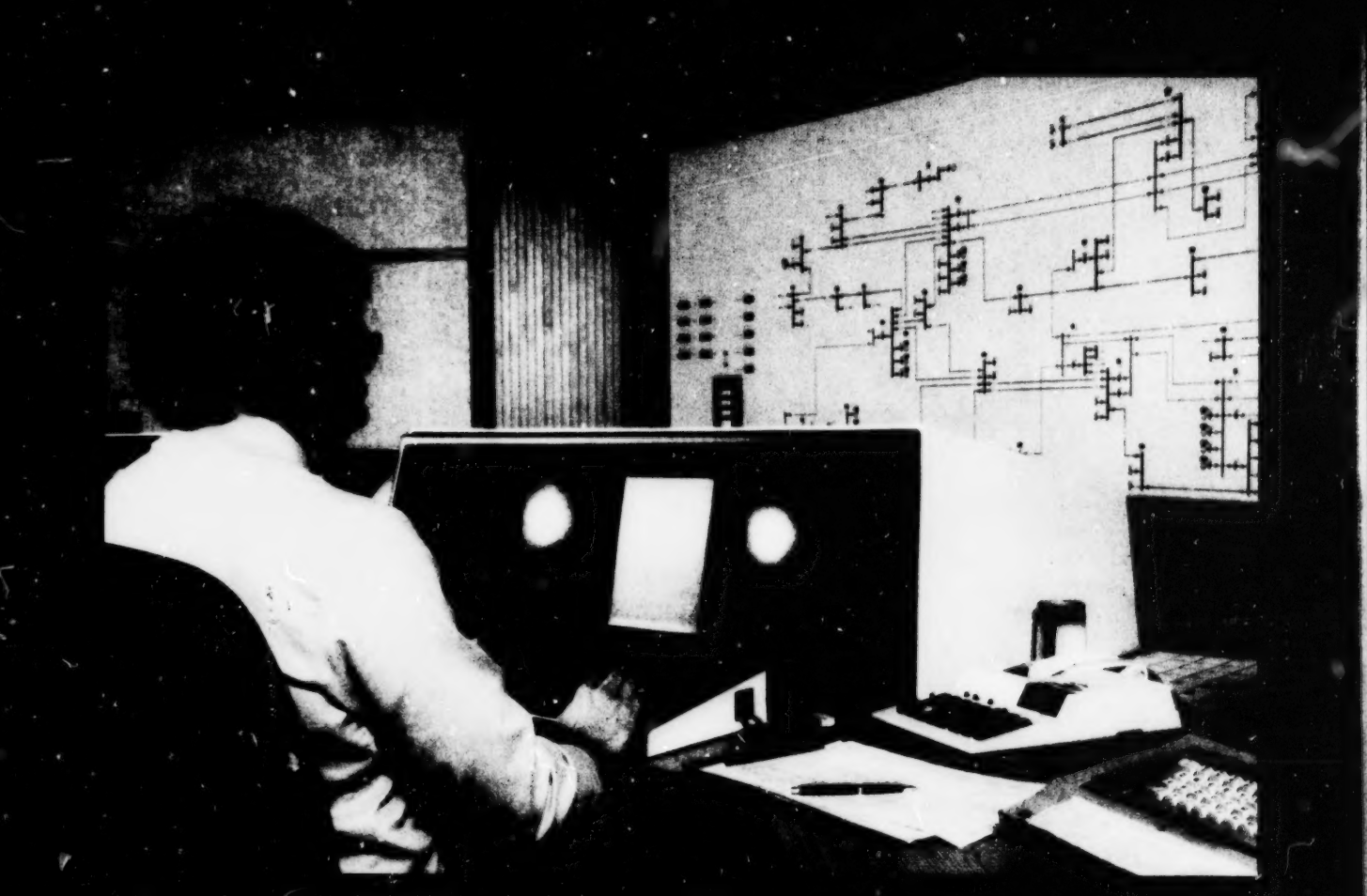
Research and development projects undertaken during the year assisted in ensuring more efficient, safer and less costly operations for the corporation.

In 1984, a licensing agreement was signed between SPC and GEC Canada Ltd. to manufacture and sell a Fault Recorder for Electrical Utility Disturbances (FREUD) throughout the world. The device was developed by SPC researchers. A portion of FREUD will be manufactured by Scientific Instrumentation Ltd., a Saskatchewan electronics company.

During the winter of 1982/83 conductor strand failures were reported on the Squaw Rapids to Beatty transmission line. Studies and tests were conducted to determine the cause of the failures and to test possible solutions. Three possible solutions were monitored for a period of 77 days and the final recommended solution, which will reduce vibration intensity on transmission lines to an acceptable level, is being implemented.

A new, cost-effective approach to internal boiler cleaning was investigated at the Boundary Dam Power Station. The results show that a significant amount of magnetite deposit can be removed from the inside surface of water and steam boiler tubes using polymeric acids. It is expected that the treatment will replace expensive acid cleaning methods at significant cost savings to SPC.

Phase I of a multi-year contract between the Canadian Electrical Association and SPC for development of a reliable lignite coal flame monitor was completed. This included a review of current flame monitoring technology throughout the world and its relevance to SPC's operations. Based upon extensive investigations of the problems incurred in burning Saskatchewan lignite for power generation, a prototype flame monitor will be developed. If successful, this development will enhance the operational efficiency and safety at SPC's coal-fired power plants. The prototype will be installed at the Poplar River Power Station.



Art Monette operates control in electric dispatch at System Control Centre in Regina.

Valerie Kammermayer, employee of Actionwear Saskatoon Ltd., makes SPC overalls.

## Human Resources

During 1984, the corporation had an average monthly staff of 3 148, down 5.2 per cent from 3 321 in 1983. Staff level at the end of the year was 3 018, down 2.8 per cent from 3 105 at the end of 1983.

Settlements of collective bargaining agreements with the International Brotherhood of Electrical Workers (IBEW) Union Local 2067 and the Energy and Chemical Workers Union (ECWU) Local 649 were reached in 1984 January and 1984 June respectively.

The two-year agreement for employees in the IBEW Union provides for a two-per-cent increase in 1984 and a three-per-cent increase in 1985. The contract expires 1985 December 31. The three-year agreement for employees in the ECWU provides for a 1.25-per-cent increase in 1984, a three-per-cent increase in 1985, a $1 000 one-time payment with no hourly rate increase in 1986 and a three-per-cent increase in 1987. The contract expires 1987 January 31.

One-day workshops were held in all areas of the corporation dealing with topics such as planning, stress management, time management and new human resources programs.

A corporate succession plan for future replacements of senior management positions reached a major stage in 1984. Linked to the succession plan was a new human resources development review system which was put into place for in-scope and management employees in 1984. Through the review, suitable candidates are selected and provided with specialized training to prepare them for promotion.

Headstart Employment Corporation had 18 employees in 1984. There were 16 trainees enrolled in academic upgrading during the year. Revenue from contract work performed for SPC, plus interest earned, sustained the operation as no money was available from the Canada Manpower Industrial Training Program this year.

The year was an active one for the corporation's affirmative action program. There were 32 target group employees (persons of native ancestry, the disabled, and women in non-traditional jobs) hired to fill normal vacancies, as well as trainee positions specifically under the Special Programs budget. Of this figure, 20 are still employed and six have attained permanent positions. Both the ECWU Local 649 and IBEW Local 2067 continue to support the affirmative action program.

In addition to the increased recruitment of target group employees, the program has in the past year been involved in a variety of other projects. These included general informational sessions and workshops, noon-hour films, a bursary for a disabled employee to assist him in competing in the Special Olympics and an interest survey among SPC's female employees regarding non-traditional positions.

Upgrading played a major role in the 1984 trades training program due to rapid technological changes, such as the System Control Centre. The installation of Remote Terminal Units necessitated training for the instrument technicians who are responsible for servicing this equipment. The trend to customers purchasing high efficiency furnaces along with new electronic furnace controls required the corporation to upgrade the gas fitter servicemen's skills.

Large numbers of district staff received 25 kV rubber glove work training so they are able to assist crew personnel in maintaining the distribution system. Power line contractors, working on SPC projects, were assisted with on-the-job training in live line techniques and conductor stringing methods.

## Safety

SPC continued to encourage and develop employee safety. In 1984, there were 61 lost time injuries compared to 58 in 1983. Vehicle accidents decreased from 162 in 1983 to 155 in 1984. The corporation has one of the lowest accident frequency rates among utilities across Canada.

The staff at Unity and Beacon Hill Compressor Stations were recognized for completing five years without a lost time injury.

In 1984, there were more than 200 employee safety meetings conducted and some 238 on-site work inspections to ensure safety procedures were being complied with, in addition to regular safety activities. Employee safety education continued with courses in defensive driving, first aid, cardiopulmonary resuscitation, fire safety and occupational health committee training for employees throughout the province.

## Support Services

Lease agreements were completed for 12 customer service buildings, including eight new buildings. This leasing program reduced the corporation's capital expenditure by $1.5 million and contributed to the construction activity in the communities affected.

The corporation bought 148 vehicles from 11 dealers in the areas where the vehicles will be used. Approximately 50 of the vehicles were outfitted by Saskatchewan contractors.

Fusing plastic pipe before underground installation in Saskatchewan Natural Gas Distribution Program.



Employees Xuan Vo (L) and Son Tran (R) of BrekMar Industries Ltd. of Saskatoon, build fibreglass utility bodies for SPC trucks.

# Financial Review

In addition to presenting consolidated financial results, segmented information is presented to highlight the results of the electric and natural gas utilities.

## Consolidated Results

The corporation achieved a consolidated income from operations of $3.1 million and a net income of $9.6 million after extraordinary gains and losses. This compares to a loss of $19.7 million in 1983. The gain on the disposal of the Poplar River Coal Mine is the principal item in the extraordinary gains and losses.

The positive results for the year are attributable to the net income earned by the gas utility of $31.7 million which was, for the most part, offset by the loss from operations in the electric utility of $28.7 million.

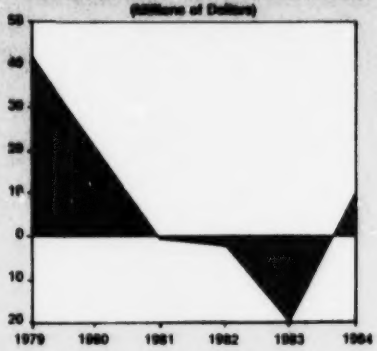
Income before finance charges of $200.9 million, is a significant improvement over 1983 reflecting the higher sales and proportionately lower costs and expenses as a per cent of revenue.

## Capital Expenditures

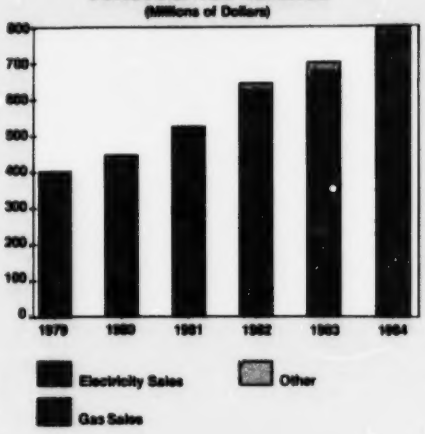
Capital expenditures for the year totalled $306.7 million due primarily to the capital requirements for the Nipawin Hydroelectric Project of $147.6 million and the Saskatchewan Natural Gas Distribution Program of $44.7 million.

From its inception, the total costs to date for the Nipawin Hydroelectric Project are $393.4 million with estimated costs at completion of $570.0 million.

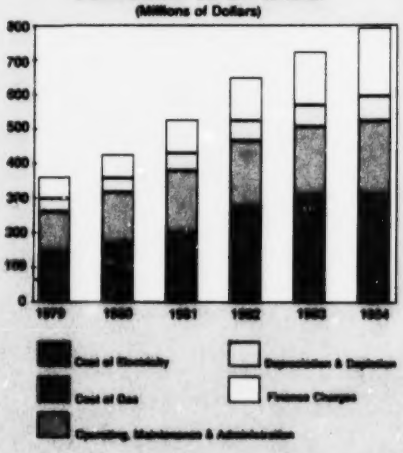
CONSOLIDATED NET INCOME (LOSS)




CONSOLIDATED REVENUE




CONSOLIDATED EXPENSES




## Financing

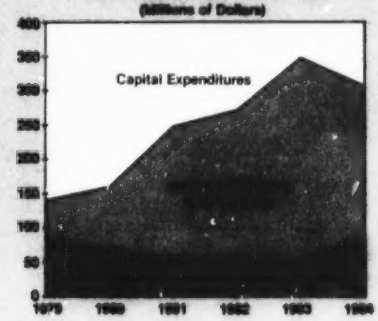
Funds generated internally remained inadequate in relation to the corporation's large capital expenditure programs. In 1984, funds generated internally of $87.7 million, or 28.6 per cent of capital expenditures, compared to $47.5 million or 13.6 per cent in 1983.

The corporation has been relying increasingly on external sources of funding to finance its continuing capital expenditure programs resulting in a substantial increase in its long-term debt position from $1.1 billion in 1979 to $2.1 billion in 1984, an average annual growth of 15.0 per cent per year.

In 1984, net long-term financing totalled $136.3 million. This included a successful $60.1 million Saskatchewan Power Corporation Savings Bond issue in June. This was further supplemented with additional short-term financing of $55.0 million.

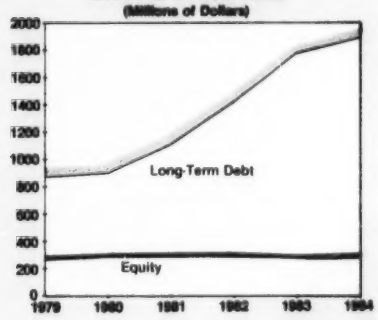
On 1984 November 30, the corporation sold the Poplar River Coal Mine for $101.8 million and secured a long-term coal supply agreement for the Poplar River Power Plant. The proceeds of this sale correspondingly reduce the long-term borrowing requirements in 1985.

**SOURCE OF CAPITAL EXPENDITURE FINANCING**



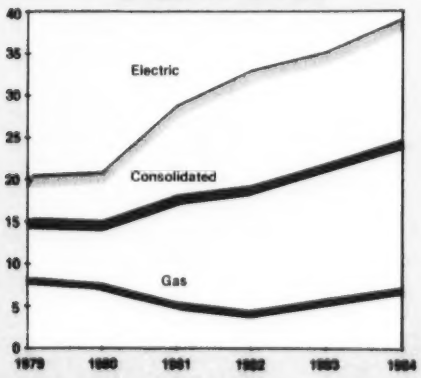

| FUNDS FROM OPERATIONS AS PER CENT OF CAPITAL EXPENDITURES | | | | | |
|---|---|---|---|---|---|
| 57.4 | 41.0 | 20.9 | 20.6 | 13.6 | 28.6 |

**CAPITAL STRUCTURE**




| Dept: Equity Ratio | | | | | |
|---|---|---|---|---|---|
| 75:25 | 75:25 | 78:22 | 82:18 | 86:14 | 86:14 |

**FINANCE CHARGES AS A PER CENT OF REVENUE**




| INTEREST COVERAGE* | | | | | |
|---|---|---|---|---|---|
| 1.44 | 1.21 | 1.00 | 0.98 | 0.91 | 1.01 |

* Based on method used by the U.S. Security and Exchange Commission

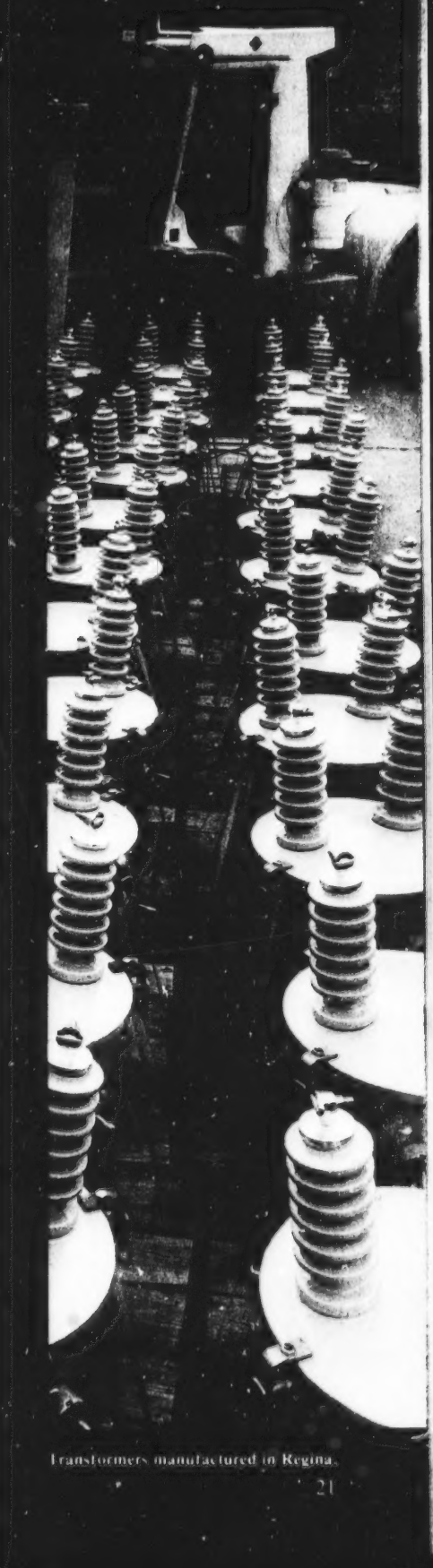
## Financial Condition

Despite the profit improvement, the corporation's capital structure, as measured by the debt to equity ratio, remains in a weakened condition. The capital programs, together with inadequate earnings from the electric utility, have caused and will continue to cause the corporation to rely heavily on long-term borrowings. This has resulted in a significant erosion of the debt to equity ratio from 75:25 in 1979 to 86:14 in 1984.

The impact of the increasing debt load of the corporation is further reflected in the significant growth of finance charges as a per cent of revenue, primarily in the electric utility. On a consolidated basis, finance charges as a per cent of revenue have increased from 15.4 per cent in 1979 to 24.8 per cent in 1984.

The corporation's long-term objective is to correct this weakened capital structure through financing a larger proportion of the corporation's continuing capital expenditure program from internally generated sources. This would have the effect of reducing the impact of finance charges on the corporate earnings.

Achievement of this objective will require continued restraint in both capital expenditures and operating expenses as well as timely rate increases.



Transformers manufactured in Regina.

## Electric Utility

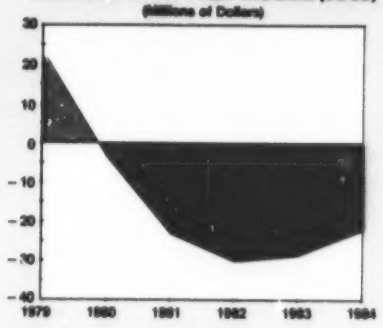
The electric utility continues to experience poor financial performance, reflecting the difficulty in recovering from inadequate rate increases in the early 1980's. A loss from operations of $28.7 million was recorded which is essentially the same as that recorded in 1983. This operating loss was partially offset by $6.5 million in extraordinary gains and losses resulting in a net loss for the year of $22.2 million.

Sales revenue for the year was $425.2 million, up $59.3 million or 16.2 per cent over 1983. This was brought about by the full impact of the 1983 rate increase and partially by the 1984 August rate increase, together with the growth in electricity sales of 765 000 MW·h, or 8.4 per cent over 1983.

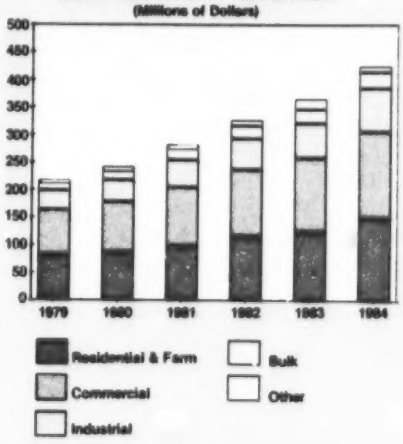
Total costs and expenses of $294.7 million, not including finance charges, increased 7.1 per cent over 1983. Higher fuel costs due to increased demand and lower river flows and higher depreciation were the main causes of the increase. However, costs and expenses as a per cent of total revenue were 67.5 per cent in 1984 compared to 72.3 per cent in 1983.

Income of $141.8 million, before finance charges, was 34.6 per cent higher than in 1983. This improvement reflects the higher energy sales and rate increases that increased revenues at a more rapid rate than the increase experienced in operating costs. Finance charges were $36.6 million or 27.3 per cent higher than 1983 caused by the heavy capital expenditure programs and the increasing foreign exchange costs arising from the strength of the United States dollar. The higher finance charges more than offset the net income before finance charges, resulting in a net loss for the year.

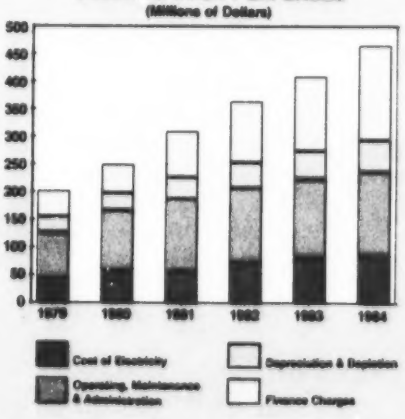
ELECTRIC UTILITY NET INCOME (LOSS)




ELECTRIC UTILITY REVENUES




ELECTRIC UTILITY EXPENSES




Finance charges as a per cent of revenue rose from 20.5 per cent in 1979 to 39.1 per cent in 1984.

## Natural Gas Utility

The gas utility experienced income from operations of $31.7 million, compared to $8.9 million in 1983.

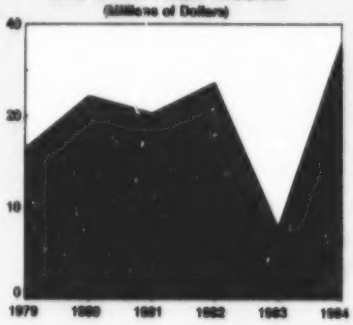
Sales revenue for the year was $365.2 million, an increase of $40.7 million or 12.5 per cent over 1983. This increase reflects the full impact of the 1983 rate increase coupled with the growth in sales volume of 196.8 million cubic metres or 7.0 per cent, largely due to increased industrial usage and additional customers. The Public Utilities Review Commission ordered the corporation to issue a revised schedule of gas rates to accomplish a more equitable distribution of the cost of service among the various customer classifications. Residential, farm and small commercial rates were increased, while large industrial rates were reduced, having no impact on total sales revenue.

Total costs and expenses of $319.0 million, not including finance charges, were held to a 2.0 per cent increase over 1983. Increases in depreciation and operating costs were partially offset by the removal of the Federal Natural Gas and Gas Liquids Tax in February together with the increasing use of lower-cost natural gas from Saskatchewan sources. However, costs and expenses as a per cent of total revenue were 84.4 per cent in 1984 compared to 91.5 per cent in 1983.

Income before finance charges of $59.1 million, an increase of $29.9 million over 1983, reflected the higher energy sales and proportionately lower expenses as a per cent of revenue. This gain was partially offset by increased finance charges of $7.1 million.

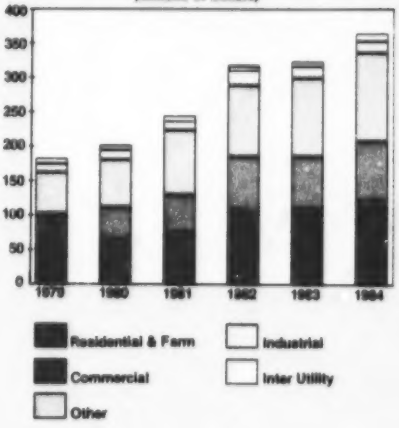
## GAS UTILITY NET INCOME

(Millions of Dollars)



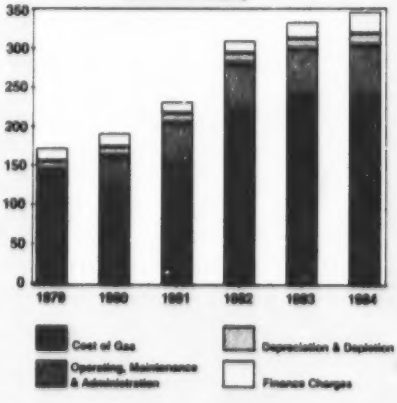

## GAS UTILITY REVENUES

(Millions of Dollars)




## GAS UTILITY EXPENSES

(Millions of Dollars)



Brent Pollock and Doug Hamilton perform underground distribution work for system improvement in Regina.

# Status of the Corporation

In 1929, the Saskatchewan Power Commission was established to produce and supply electrical energy in the province. In 1949, the Saskatchewan Power Corporation was established by Order-in-Council to replace this function of the Commission. Pursuant to The Power Corporation Act, passed in 1950 April 08, the Corporation was established in essentially its present form.

In accordance with the provisions of its Act, the Corporation's main functions are the generation, purchase, transmission, distribution and sale of electrical energy and the production, purchase, transmission, distribution and sale of natural gas.

The Corporation's electric and natural gas rates are subject to regulation by The Saskatchewan Public Utilities Review Commission.

# Financial Results 1984

## Saskatchewan Power Corporation
## and wholly-owned subsidiaries

**North-Sask Electric Ltd.** — operates electric generating plants and distribution systems at various locations in the northern part of the province.

**Many Islands Pipe Lines (Canada) Limited** — gathers, produces and purchases gas in Alberta for the use of the Corporation and transports gas through its interprovincial transmission lines from the Alberta-Saskatchewan border to Saskatchewan Power Corporation facilities.

**Many Islands Pipe Lines Limited.**

**Consumers Oil Limited.**

# Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the consolidated statement of financial position of Saskatchewan Power Corporation as at 1984 December 31, and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of Saskatchewan Power Corporation as at 1984 December 31 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
1985 March 08

W. G. Lutz, F.C.A.
Provincial Auditor

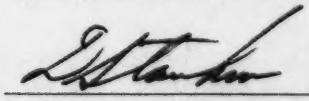
SASKATCHEWAN POWER CORPORATION

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31

| | 1984 | 1983 |
|---|---|---|
| | (in thousands) | |
| **Assets** | | |
| FIXED ASSETS, at cost | | |
| Fixed assets (Note 2) | $2 301 632 | $2 218 483 |
| Less: Accumulated depreciation and depletion | 644 456 | 593 906 |
| | 1 657 176 | 1 624 577 |
| Construction in progress | 417 299 | 329 169 |
| | 2 074 475 | 1 953 746 |
| CURRENT ASSETS | | |
| Cash and short-term investments | — | 49 299 |
| Accounts receivable and unbilled revenue | 153 197 | 147 534 |
| Notes receivable (Note 6) | 99 217 | — |
| Inventories, at cost (Note 1(f)) | 65 619 | 61 915 |
| | 318 033 | 258 748 |
| OTHER ASSETS AND DEFERRED CHARGES | | |
| Unrealized foreign exchange losses (Note 1(h)) | 79 794 | 43 879 |
| Unamortized debt costs and gains (Note 1(i)) | 30 150 | 30 719 |
| Cost of long-term gas in storage | 26 992 | 34 539 |
| Unamortized cost of Voluntary Early Retirement Program (Note 1(j)) | 12 557 | 17 266 |
| Deferred mining costs | — | 5 594 |
| Farm, insulation and Warm-Up loans | 8 581 | 5 360 |
| Other | 5 328 | 6 125 |
| | 163 402 | 143 482 |
| | $2 555 910 | $2 355 976 |

Approved on behalf of the Board:



, Director

, Director

| | 1984 | 1983 |
|---|---|---|
| | (in thousands) | |
| **Liabilities and Equity** | | |
| LONG-TERM DEBT | | |
| Advances from Province of Saskatchewan (Note 3) | $2 057 142 | $1 955 823 |
| Saskatchewan Power Corporation Savings Bonds (Note 4) | 60 106 | — |
| Obligations under capital leases (Note 6) | 344 | 31 688 |
| Other long-term debt | 504 | 823 |
| | 2 118 096 | 1 988 334 |
| Less: Equity in sinking funds (Note 3) | 213 841 | 211 607 |
| Long-term debt net of sinking funds | 1 904 255 | 1 776 727 |
| Less amounts due within one year | 19 029 | 4 959 |
| | 1 885 226 | 1 771 768 |
| CURRENT LIABILITIES | | |
| Bank indebtedness | 10 367 | — |
| Short-term indebtedness to Province of Saskatchewan | 55 000 | — |
| Accounts payable and accrued liabilities | 199 189 | 215 665 |
| Long-term debt due within one year | 19 029 | 4 959 |
| | 283 585 | 220 624 |
| DEFERRED LIABILITIES | | |
| Customer deposits | 259 | 614 |
| Voluntary Early Retirement Program | 9 928 | 11 423 |
| | 10 187 | 12 037 |
| DEFERRED INCOME | | |
| Unamortized gain on dragline sale | 14 106 | 14 671 |
| Unamortized contributions in aid of construction (Note 1(k)) | 46 845 | 40 685 |
| | 60 951 | 55 356 |
| EQUITY | | |
| Retained Earnings | 222 155 | 212 563 |
| Contributions in aid of construction (Note 1(k)) | 93 806 | 83 628 |
| | 315 961 | 296 191 |
| | $2 555 910 | $2 355 976 |

See accompanying notes

SASKATCHEWAN POWER CORPORATION

# CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

**For the years ended December 31**

| | Consolidated | |
|---|---|---|
| | **1984** | 1983 |
| | (in thousands) | |
| REVENUE | | |
| Sales to customers | **$ 772 900** | $ 672 791 |
| Inter-utility sales eliminated on consolidation | **—** | — |
| | **772 900** | 672 791 |
| Other | **24 307** | 32 063 |
| | **797 207** | 704 854 |
| COSTS AND EXPENSES | | |
| Cost of fuel, water and purchased electricity | **82 771** | 78 484 |
| Cost of gas sold | **229 063** | 230 986 |
| Inter-utility costs eliminated on consolidation | **—** | — |
| | **311 834** | 309 470 |
| Operating, maintenance and administration expense | **213 614** | 199 032 |
| Depreciation and depletion expense | **70 819** | 61 835 |
| | **596 267** | 570 337 |
| INCOME BEFORE FINANCE CHARGES | **200 940** | 134 517 |
| FINANCE CHARGES, NET (Note 5) | **197 878** | 154 241 |
| INCOME (LOSS) FROM OPERATIONS | **3 062** | (19 724) |
| EXTRAORDINARY GAINS AND LOSSES, NET (Note 7) | **6 530** | — |
| NET INCOME (LOSS) FOR THE YEAR | **9 592** | (19 724) |
| RETAINED EARNINGS | | |
| Beginning of the year | **212 563** | 232 287 |
| End of the year | **$ 222 155** | $ 212 563 |

See accompanying notes

| Electric Utility | | Natural Gas Utility | |
|---|---|---|---|
| **1984** | 1983 | **1984** | 1983 |
| (in thousands) | | (in thousands) | |
| **$ 424 428** | $ 365 308 | **$ 348 472** | $ 307 483 |
| **743** | 580 | **16 693** | 17 032 |
| **425 171** | 365 888 | **365 165** | 324 515 |
| **11 325** | 14 510 | **12 982** | 17 553 |
| **436 496** | 380 398 | **378 147** | 342 068 |
| **82 771** | 78 484 | **—** | — |
| **—** | — | **229 063** | 230 986 |
| **5 953** | 6 524 | **11 483** | 11 088 |
| **88 724** | 85 008 | **240 546** | 242 074 |
| **149 255** | 140 623 | **64 359** | 58 409 |
| **56 725** | 49 459 | **14 094** | 12 376 |
| **294 704** | 275 090 | **318 999** | 312 859 |
| **141 792** | 105 308 | **59 148** | 29 209 |
| **170 472** | 133 902 | **27 406** | 20 339 |
| **(28 680)** | (28 594) | **31 742** | 8 870 |
| **6 530** | — | **—** | — |
| **$ (22 150)** | $ (28 594) | **$ 31 742** | $ 8 870 |

SASKATCHEWAN POWER CORPORATION

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

**For the years ended December 31**

| | 1984 | 1983 |
|---|---|---|
| | (in thousands) | |
| **SOURCES OF WORKING CAPITAL** | | |
| Operations | | |
| Net income (loss) | $ 9 592 | $ (19 724) |
| Items not affecting working capital: | | |
| Depreciation and depletion | 70 819 | 61 835 |
| Other | 7 271 | 5 426 |
| | 87 682 | 47 537 |
| Saskatchewan Power Corporation Savings Bonds (Note 4) | 60 106 | — |
| Less cost of issue | 1 253 | — |
| | 58 853 | — |
| Long-term debt | 77 453 | 352 795 |
| Proceeds on disposal of fixed assets | 126 288 | — |
| Contributions in aid of construction | 10 178 | 4 792 |
| Other customer contributions | 9 970 | 8 298 |
| | 370 424 | 413 422 |
| **APPLICATION OF WORKING CAPITAL** | | |
| Capital expenditures | | |
| Electric utility | 220 252 | 291 300 |
| Gas utility | 76 219 | 52 900 |
| Other | 10 269 | 4 274 |
| | 306 740 | 348 474 |
| Reduction in long-term debt | 70 624 | 25 024 |
| Customer deposits refunded | 355 | 6 468 |
| Voluntary Early Retirement Program (Note 1(j)) | 1 495 | 7 412 |
| Other non-current items | (5 114) | 6 751 |
| | 374 100 | 394 129 |
| **INCREASE (DECREASE) IN WORKING CAPITAL** | (3 676) | 19 293 |
| **WORKING CAPITAL** | | |
| Beginning of the year | 38 124 | 18 831 |
| End of the year | $ 34 448 | $ 38 124 |

See accompanying notes

## 1. ACCOUNTING POLICIES

The Corporation's accounting policies are in accordance with generally accepted accounting principles. The following policies are considered to be significant:

**(a) Principles of Consolidation**

The consolidated financial statements include the accounts of the Corporation and its four wholly-owned subsidiaries.

**(b) Joint Ventures**

The Corporation follows the proportionate consolidation method of accounting for its participation in joint ventures.

**(c) Fixed Assets**

Cost includes direct material, interest capitalized, labor, and overhead costs such as engineering and administration that are considered applicable to the capital construction program.

The cost of additions to and replacement of fixed assets is capitalized when the service life is extended. The cost of the partial disposal of a prime asset, less the proceeds of sale, is charged to accumulated depreciation. When the complete prime asset is retired, a gain or loss is recognized in the Statement of Income.

**(d) Capitalization of Interest**

Interest associated with major capital projects is capitalized during the construction period at the Corporation's weighted average interest rate on current year long-term and short-term borrowings and is included in the total cost of the project.

**(e) Depreciation and Depletion**

Depreciation is calculated on a straight-line estimated service life basis for the various classes of property. Depletion of gas and coal properties is calculated using the composite unit of production method based on estimated remaining recoverable gas and coal reserves and the unamortized costs of these reserves.

**(f) Inventories**

Maintenance material and supplies and plant repair parts are valued at average cost. Coal, fuel oil and gas in storage are valued on a first-in, first out basis.

**(g) Gas and Coal Exploration Costs**

The Corporation follows the full cost method of accounting for the acquisition cost of gas and coal in place and exploration and development costs.

**(h) Foreign Exchange on Long-Term Debt**

All long-term debt payable in foreign currencies is recorded in Canadian dollar equivalents using exchange rates prevailing at year end. Unrealized gains and losses related to those foreign exchange translations, net of accumulated charges to income, are amortized over the remaining term of each obligation.

Accrued interest on the foreign long-term debt is recorded at exchange rates prevailing at year end. Interest paid during the year on foreign currency is translated at rates prevailing at the time of the transaction. Realized gains or losses resulting from exchange adjustments are included in income.

**(i) Amortization of Debt Costs and Gains**

Unamortized debt discounts and expenses are being amortized over the terms of the respective issues. Gains or losses on the partial redemption through buy back of the debenture is amortized in the same manner.

**(j) Voluntary Early Retirement Program**

The Corporation offered early retirement on a voluntary basis to 312 employees of which 258 accepted to take it effective 1983 August 31 or sooner. The total costs of the plan are amortized over the four years commencing 1983 September 01 in equal monthly amounts of $392 407.

**(k) Contributions in Aid of Construction**

Capital contributions are required from customers when the cost of providing service is expected to exceed estimated revenue to be earned over a period of time. Where the deficiency is expected to continue beyond the estimated life of the facilities required to serve such customers, the contribution is capitalized as equity. Where the deficiency is expected for only a portion of the life of the facilities, the contribution is classified as deferred income and amortized into income over an appropriate period.

In addition to customer contributions, Federal Government grants relating to the extension of the electrical grid in northern Saskatchewan and rural gas in southern Saskatchewan are included in deferred income.

**(l) Pension Fund Obligations**

The Corporation provides pension plans for its employees. The cost of the present value of the ad hoc increases granted to the present beneficiaries of the Power Corporation Superannuation Fund is a charge to expense. The Corporation follows the practice of having an actuary evaluate the fund every three years.

## 2. FIXED ASSETS

| | Cost | Accumulated Depreciation and Depletion | Net Book Value 1984 | Net Book Value 1983 |
|---|---|---|---|---|
| **Plant and Equipment In Service (000's)** | | | | |
| Electric | | | | |
| Generation Plant | | | | |
| Thermal | $ 706 669 | $ 152 572 | $ 554 097 | $ 571 365 |
| Hydro | 165 763 | 46 498 | 119 265 | 123 039 |
| Other | 21 131 | 6 194 | 14 937 | 6 616 |
| Coal Mining | | | | |
| Capitalized Lease | — | — | — | 28 185 |
| Other | 19 539 | 2 918 | 16 621 | 44 398 |
| Transmission | 259 701 | 77 698 | 182 003 | 175 882 |
| Distribution | 442 736 | 143 934 | 298 802 | 275 019 |
| | 1 615 539 | 429 814 | 1 185 725 | 1 224 504 |
| Gas | | | | |
| Production | 148 713 | 40 155 | 108 558 | 104 100 |
| Gathering, Treatment and Compression | 64 736 | 31 717 | 33 019 | 30 886 |
| Transmission and Storage | 146 988 | 52 924 | 94 064 | 80 948 |
| Distribution | 217 061 | 53 209 | 163 852 | 123 369 |
| | 577 498 | 178 005 | 399 493 | 339 303 |
| Common Assets | | | | |
| Buildings and Equipment | 108 109 | 36 583 | 71 526 | 59 278 |
| Equipment — Capitalized Lease | 486 | 54 | 432 | 1 492 |
| | 108 595 | 36 637 | 71 958 | 60 770 |
| | $2 301 632 | $ 644 456 | $1 657 176 | $1 624 577 |

| **Composite Depreciation Rates** | 1984 | 1983 |
|---|---|---|
| Electric Utility | 3.43% | 3.31% |
| Gas Utility | 2.98% | 3.04% |
| Consolidated | 3.35% | 3.26% |

| **Accumulated Interest Capitalized** | | |
|---|---|---|
| Amount included above in the cost of in service assets | $ 201 388 | $ 174 501 |

## 3. ADVANCES FROM THE PROVINCE OF SASKATCHEWAN (000's)

| Interest Rate | Debt Recorded | Face Amount in Foreign Currency | Maturities (In Canadian Dollars) 1985 | 1986 | 1987 | 1988 | 1989 | 1990 and Beyond |
|---|---|---|---|---|---|---|---|---|
| Canadian Dollar Issues: | | | | | | | | |
| 5.5 — 5.875 | $ 16 823 | $ | $ 3 204 | $ 2 400 | $ | $ | $ | $ 6 219 |
| 6.0 — 6.25 | 14 781 | | | 8 926 | 5 855 | | | — |
| 7.25 — 7.75 | 36 025 | | | | | 11 025 | | 25 000 |
| 8.25 — 8.75 | 30 000 | | | | | | | 30 000 |
| 9.00 — 9.50 | 145 000 | | | | | | | 145 000 |
| 9.875 — 10.25 | 132 963 | | | | | | | 132 963 |
| 11.75 — 12.25 | 300 000 | | | | | | | 300 000 |
| 13.00 — 13.375 | 150 000 | | | 75 000 | | | | 75 000 |
| 16.75 | 100 000 | | | | 20 000 | 20 000 | 60 000 | — |
| | 925 592 | | 8 204 | 86 326 | 25 855 | 31 025 | 60 000 | 714 182 |
| Canadian dollar issues callable upon six months notice: | | | | | | | | |
| 5.29 — 5.44 | 13 033 | | | 11 979 | 1 054 | | | |
| 5.39 — 6.53 | 9 752 | | | | 7 515 | 2 237 | | |
| 6.40 — 7.17 | 27 908 | | | | | 22 793 | 5 115 | |
| 6.75 — 7.54 | 27 613 | | | | | | | 27 613 |
| 6.79 — 8.14 | 33 062 | | | | | | | 33 062 |
| 7.08 — 7.50 | 23 189 | | | | | | | 23 189 |
| 7.16 — 8.33 | 32 907 | | | | | | 24 042 | 8 865 |
| 7.47 — 7.53 | 6 297 | | | | | | | 6 297 |
| 10.92 — 12.14 | 73 170 | | | | | | | 73 170 |
| 12.60 — 14.06 | 77 453 | | | | | | | 77 453 |
| | 324 384 | | | 11 979 | 8 569 | 25 030 | 29 157 | 249 649 |
| | 1 249 976 | | 8 204 | 98 305 | 34 424 | 56 055 | 89 157 | 963 831 |
| U.S. dollar issues: | | | | | | | | |
| 4.875 | 3 900 | 2 950 | | | | | | 3 900 |
| 7.625 | 14 935 | 11 300 | | | | | 14 935 | |
| 8.625 — 8.75 | 297 383 | 225 000 | | 99 128 | | | | 198 255 |
| 9.25 | 99 127 | 75 000 | | | | | | 99 127 |
| 15.00 | 132 170 | 100 000 | | | | | | 132 170 |
| 15.625 | 61 396 | 46 452 | | | | | | 61 396 |
| 16.375 | 198 255 | 150 000 | | | | | | 198 255 |
| | 807 166 | 610 702 | — | 99 128 | — | — | 14 935 | 693 103 |
| | $2 057 142 | $ 610 702 | $ 8 204 | $ 197 433 | $ 34 424 | $ 56 055 | $ 104 092 | $1 656 934 |

Certain advances from the Province require the establishment of sinking funds, whose total equity at 1984 December 31 was $213 841. Sinking fund installments payable for the next five years are as follows:

1985 - $14 419; 1986 - $13 910; 1987 - $13 332; 1988 - $12 725; 1989 - $11 840.

The year-end exchange rate was a Canadian dollar equal to 75.66¢ U.S. For every 1¢ change in the Canadian dollar, the impact on the Corporation's net income is about $3.0 million.

## 4. SASKATCHEWAN POWER CORPORATION SAVINGS BONDS

The bonds issued on 1984 July 06 and maturing on 1987 July 06, bear interest at the rate of 11½% per annum, which can be increased at the discretion of the Minister of Finance of the Province of Saskatchewan, and are subject to early redemption semi-annually until maturity at the option of the bond holder.

Bonds redeemed on 1985 January 06 of $2.1 million are classified as long-term debt due within one year.

## 5. FINANCE CHARGES, NET (000's)

| | 1984 | 1983 |
|---|---|---|
| Interest paid and accrued | $213 381 | $183 860 |
| Less: Amount capitalized | 35 780 | 32 435 |
| | 177 601 | 151 425 |
| Other | 28 254 | 21 700 |
| Amortization of: | | |
| Debt discount costs and gains | 2 311 | 1 953 |
| Gain on early repayment of debt | (489) | (821) |
| | 207 677 | 174 257 |
| Sinking fund earnings | 20 895 | 26 131 |
| | 186 782 | 148 126 |
| Foreign exchange provision | 11 096 | 6 115 |
| | $197 878 | $154 241 |
| Interest rate used in capitalization | 12.50% | 12.25% |

## 6. SALE OF POPLAR RIVER COAL MINE

On 1984 November 30, the Corporation sold its Poplar River Mine which included certain coal reserves, facilities and equipment. The Corporation received $101.8 million and entered into a long-term coal supply contract with the purchaser to serve the Poplar River Power Station.

The Corporation received $2.5 million in cash with the balance of proceeds in the form of promissory notes totalling $99.3 million maturing in 1985. The purchaser is to arrange long-term refinancing of $89.3 million by 1985 June 28 on conditions acceptable to the Corporation, otherwise the contract is subject to cancellation. The Corporation will be contingently liable under this refinancing arrangement.

As part of the agreement, certain leased mining equipment previously reflected as capital assets of the Corporation was transferred to the purchaser together with the capitalized lease obligations of $30.6 million. The purchaser has assumed the lease payments up to maturity of the lease with the Corporation remaining contingently liable for the lease payments.

A net gain on the sale of the mine of $7.4 million is included in extraordinary gains and losses for the year.

## 7. EXTRAORDINARY GAINS AND LOSSES

As a result of the sale of the Poplar River Coal Mine, as outlined in Note 6., a net gain on sale of $7.4 million is being recorded as an extraordinary gain. This is partially offset by an unrelated loss of $0.9 million upon the surrender of certain coal leases.

## 8. SEGMENTED INFORMATION

The Saskatchewan Power Corporation operates both an electric utility and a gas utility. This involves the generation, purchase, transmission, and distribution of electricity and the production, purchase, transmission, and distribution of natural gas.

The consolidated statement of income and retained earnings is presented in segmented form displaying the results of each utility. All revenues and most costs and expenses are directly attributable to each utility; however, common expenses are allocated to the utilities using appropriate bases established by regular review and analysis.

Most of the assets are directly attributable to the specific utility. The common assets are allocated to each utility, using appropriate bases established by regular review and analysis. The following table summarizes the assets by utility.

| | 1984 | 1983 |
|---|---|---|
| | (000 000s) | |
| Electric Utility | | |
| Plant and Equipment, Net Book Value | $1 235.0 | $1 268.0 |
| Other Assets | 726.8 | 564.5 |
| | 1 961.8 | 1 832.5 |
| Gas Utility | | |
| Plant and Equipment, Net Book Value | 422.2 | 356.6 |
| Other Assets | 171.9 | 166.9 |
| | 594.1 | 523.5 |
| | $2 555.9 | $2 356.0 |

## 9. COMMITMENTS AND CONTINGENCIES

(a) At 1984 December 31, the Corporation was committed in the amount of approximately $132.0 million for construction materials, equipment and services and on contracts not completed at year end. The Corporation had forward commitments of $2 247.0 million for natural gas and $1 550.0 million for coal contracted for future minimum deliveries valued at 1984 prices.

(b) In 1969, the Corporation entered into an agreement for the purchase of gas by TransCanada PipeLines over a 5½ year period. The agreement provides for the return to the Corporation of a like amount at the same price. On application by TransCanada PipeLines, the National Energy Board ruled that effective 1976 November 01, the price to be paid by the Corporation for gas returned by TransCanada under this agreement would be the price established by agreement between the Alberta and Federal Governments plus transportation. This ruling by the National Energy Board was appealed to the Supreme Court of Canada. In 1981 December, the court ruled that the board had exceeded its authority in purporting to substitute the imputed Alberta Border Price for that fixed by the contract between the parties.

Delivery of gas to the Corporation started in 1976 November. The Corporation has paid the higher price under protest. The additional payments recorded as cost of gas were $6.7 million in 1980, $17.1 million in 1979, $18.4 million in 1978, $14.6 million in 1977 and $2.7 million in 1976.

In 1979, the Corporation commenced an action in the Saskatchewan Court of Queen's Bench for the recoveries of monies paid under protest. This proceeded to trial on 1985 January 22 and judgement has not been handed down.

(c) In 1983, the Cumberland House Local Community Authority #3 and various local groups and residents commenced legal action against the Corporation and the Province of Saskatchewan claiming $200 million as compensation for damages allegedly suffered due to the construction and operation of the Squaw Rapids Hydroelectric Station. The case is now proceeding.

(d) In 1982, the Corporation sold a dragline for $45 million. The purchaser of the dragline financed the transaction by issuing promissory notes due 2003 May 18, bearing interest at 12.75%. The notes were endorsed by the Corporation and the Corporation's liability as endorser is guaranteed by the Province of Saskatchewan. The notes were then sold. The Corporation holds a chattel mortgage on the dragline as security against its contingent liability.

## 10. SASKATCHEWAN OIL AND GAS CORPORATION AGREEMENT

Petroleum and natural gas rights to approximately 0.43 million hectares (1.062 million acres) net of unexplored properties were transferred, at no cost, to Saskatchewan Oil and Gas Corporation in 1979. Saskatchewan Power Corporation and its subsidiary Many Island Pipe Lines (Canada) Limited have an overriding royalty interest and certain repurchase rights in these properties.

## 11. PENSION COSTS

The corporation provides pension plans for its employees, total costs of which amounted to $9.5 million in 1984 ($12.1 million in 1983). The present value of the 1984 ad hoc increases granted to the present beneficiaries of the Power Corporation Superannuation Fund cost $2.6 million in 1984 ($2.2 million in 1983).

The actuarial valuation as at 1983 September 30 indicated an unfunded liability of $39.9 million for past service costs.

## 12. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the consolidated statement of financial position and are settled in normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the consolidated financial statements and the notes thereto.

# FINANCIAL STATISTICS (000's) (UNAUDITED)

## CONSOLIDATED STATEMENT OF INCOME

| | 1984 | 1983 | 1982 | 1981 | 1980 | 1975 |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| Electricity sales (1) | $ 424 428 | $ 365 308 | $ 326 591 | $ 282 037 | $ 242 078 | $ 100 832 |
| Gas sales (1) | 348 472 | 307 483 | 294 491 | 227 826 | 188 448 | 71 297 |
| Other | 24 307 | 32 063 | 25 838 | 17 481 | 17 784 | 3 114 |
| | 797 207 | 704 854 | 646 920 | 527 344 | 448 310 | 175 243 |
| COSTS AND EXPENSES | | | | | | |
| Cost of fuel, water and purchased electricity (1) | 82 771 | 78 484 | 68 032 | 54 318 | 54 145 | 16 540 |
| Cost of gas sold (1) | 229 063 | 230 986 | 207 365 | 146 523 | 116 307 | 32 914 |
| Operating, maintenance and administration expense | 213 614 | 199 032 | 192 212 | 179 651 | 147 252 | 64 460 |
| Depreciation and depletion expense | 70 819 | 61 835 | 57 960 | 50 855 | 41 217 | 27 656 |
| | 596 267 | 570 337 | 525 569 | 431 347 | 358 921 | 141 570 |
| INCOME BEFORE FINANCE CHARGES | 200 940 | 134 517 | 121 351 | 95 997 | 89 389 | 33 673 |
| FINANCE CHARGES, NET | 197 878 | 154 241 | 124 764 | 96 232 | 67 912 | 26 421 |
| INCOME (LOSS) FROM OPERATIONS | 3 062 | (19 724) | (3 413) | (235) | 21 477 | 7 252 |
| Extraordinary gains and losses, net | 6 530 | — | — | — | — | — |
| NET INCOME (LOSS) | $ 9 592 | $ (19 724) | $ (3 413) | $ (235) | $ 21 477 | $ 7 252 |

*(1) Inter-utility sales and costs are eliminated on consolidation.*

## ELECTRIC UTILITY STATEMENT OF INCOME

| | 1984 | 1983 | 1982 | 1981 | 1980 | 1975 |
|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | |
| Sales | $ 425 171 | $ 365 888 | $ 327 211 | $ 282 517 | $ 242 441 | $ 100 943 |
| Other | 11 325 | 14 510 | 6 571 | 3 873 | 3 460 | 1 488 |
| | 436 496 | 380 398 | 333 782 | 286 390 | 245 901 | 102 431 |
| **COSTS AND EXPENSES** | | | | | | |
| Cost of fuel, water and purchased electricity | 88 724 | 85 008 | 76 277 | 59 501 | 60 421 | 19 347 |
| Operating, maintenance and administration expense | 149 255 | 140 623 | 132 159 | 128 403 | 107 127 | 46 088 |
| Depreciation and depletion expense | 56 725 | 49 459 | 45 434 | 39 089 | 30 489 | 19 971 |
| | 294 704 | 275 090 | 253 870 | 226 993 | 198 037 | 85 406 |
| INCOME BEFORE FINANCE CHARGES | 141 792 | 105 308 | 79 912 | 59 397 | 47 864 | 17 025 |
| FINANCE CHARGES, NET | 170 472 | 133 902 | 110 050 | 82 509 | 51 449 | 20 294 |
| LOSS FROM OPERATIONS | (28 680) | (28 594) | (30 138) | (23 112) | (3 585) | (3 269) |
| Extraordinary gains and losses, net | 6 530 | — | — | — | — | — |
| NET LOSS | $ (22 150) | $ (28 594) | $ (30 138) | $ (23 112) | $ (3 585) | $ (3 269) |

## NATURAL GAS UTILITY STATEMENT OF INCOME

| | | | | | | |
|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | |
| Sales | $ 365 165 | $ 324 515 | $ 316 871 | $ 241 139 | $ 202 572 | $ 75 553 |
| Other | 12 982 | 17 553 | 19 267 | 13 609 | 14 324 | 1 895 |
| | 378 147 | 342 068 | 336 138 | 254 748 | 216 896 | 77 448 |
| **COSTS AND EXPENSES** | | | | | | |
| Cost of gas sold | 240 546 | 242 074 | 222 120 | 155 133 | 124 518 | 34 743 |
| Operating, maintenance and administration expense | 64 359 | 58 409 | 60 053 | 51 249 | 40 125 | 18 372 |
| Depreciation and depletion expense | 14 094 | 12 376 | 12 526 | 11 766 | 10 728 | 7 685 |
| | 318 999 | 312 859 | 294 699 | 218 148 | 175 371 | 60 800 |
| INCOME BEFORE FINANCE CHARGES | 59 148 | 29 209 | 41 439 | 36 600 | 41 525 | 16 648 |
| FINANCE CHARGES, NET | 27 406 | 20 339 | 14 714 | 13 723 | 16 463 | 6 127 |
| NET INCOME | $ 31 742 | $ 8 870 | $ 26 725 | $ 22 877 | $ 25 062 | $ 10 521 |

# FINANCIAL STATISTICS (CONTINUED) (000's)

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

| | 1984 | 1983 | 1982 | 1981 | 1980 | 1975 |
|---|---|---|---|---|---|---|
| SOURCE OF FUNDS | | | | | | |
| Operations | $ 87 682 | $ 47 537 | $ 56 140 | $ 51 903 | $ 65 620 | $ 36 708 |
| Long-term debt | 136 306 | 352 795 | 356 047 | 253 860 | 48 750 | 39 550 |
| Contributions in aid of construction | 20 148 | 13 090 | 13 246 | 12 907 | 9 405 | 6 311 |
| Capital lease proceeds | — | — | 45,000 | — | — | — |
| Sale of fixed assets | 126 288 | — | — | — | — | — |
| | 370 424 | 413 422 | 470 433 | 318 670 | 123 775 | 82 569 |
| APPLICATION OF FUNDS | | | | | | |
| Capital expenditures | 306 740 | 348 474 | 272 307 | 248 080 | 160 011 | 98 010 |
| Reduction in long-term debt | 70 624 | 25 024 | 67 304 | 43 181 | 33 086 | 29 371 |
| Dividends | — | — | — | — | 10 275 | 3 600 |
| Customer deposits refunded | 355 | 6 468 | — | — | — | — |
| Voluntary Early Retirement Program | 1 495 | 7 412 | — | — | — | — |
| Other | (5 114) | 6 751 | 117 | 17 032 | 4 062 | 1 415 |
| | 374 100 | 394 129 | 339 728 | 308 293 | 207 434 | 132 396 |
| INCREASE (DECREASE) IN WORKING CAPITAL | (3 676) | 19 293 | 130 705 | 10 377 | (83 659) | (49 827) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | | | | | |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Fixed assets in service, at cost | 2 301 632 | 2 218 483 | 1 884 403 | 1 790 278 | 1 429 953 | 933 685 |
| Accumulated depreciation and depletion | (644 456) | (593 906) | (544 350) | (495 349) | (448 093) | (295 912) |
| Construction in progress | 417 299 | 329 169 | 329 257 | 189 708 | 306 126 | 72 906 |
| Current and other assets | 481 435 | 402 230 | 384 846 | 242 915 | 208 011 | 62 951 |
| | 2 555 910 | 2 355 976 | 2 054 156 | 1 727 552 | 1 495 997 | 773 630 |
| LIABILITIES AND EQUITY | | | | | | |
| Retained earnings | 222 155 | 212 563 | 232 287 | 222 000 | 222 235 | 164 321 |
| Rate stabilization reserve | — | — | — | 13 700 | 13 700 | — |
| Contributions in aid of construction | 93 806 | 83 628 | 78 836 | 75 415 | 70 796 | 51 406 |
| Long-term debt net of sinking funds | 1 885 226 | 1 771 768 | 1 415 923 | 1 107 140 | 900 160 | 406 879 |
| Current and other | 354 723 | 288 017 | 327 110 | 309 297 | 289 106 | 151 024 |
| | $2 555 910 | $2 355 976 | $2 054 156 | $1 727 552 | $1 495 997 | $ 773 630 |
| ASSET DISTRIBUTION | | | | | | |
| Electric Utility | 1 961 823 | 1 832 462 | 1 589 015 | 1 320 390 | 1 126 841 | 545 069 |
| Gas Utility | 594 087 | 523 514 | 465 141 | 407 162 | 369 156 | 228 561 |
| | $2 555 910 | $2 355 976 | $2 054 156 | $1 727 552 | $1 495 997 | $ 773 630 |
| DEBT:EQUITY RATIO | 86:14 | 86:14 | 82:18 | 78:22 | 75:25 | 65:35 |
| INTEREST COVERAGE | 1.012 | .908 | .980 | .998 | 1.207 | 1.181 |

# RECORD OF PROGRESS (UNAUDITED)

| | 1984 | 1983 | 1982 | 1981 | 1980 | 1975 |
|---|---|---|---|---|---|---|
| **ELECTRIC UTILITY** | | | | | | |
| Customers at December 31 | **385 867** | 380 451 | 370 406 | 364 772 | 352 772 | 302 611 |
| *Electricity sold ($10^6$ kW·h) | **9 861** | 9 096 | 8 468 | 8 423 | 8 106 | 6 125 |
| Average yearly residential consumption (kW·h) | **7 558** | 7 377 | 7 335 | 6 711 | 6 794 | 6 003 |
| Average yearly farm consumption (kW·h) | **18 983** | 18 566 | 18 474 | 15 875 | 16 138 | 12 873 |
| Rated generating capacity (kW) | | | | | | |
| Hydro | **569 000** | 564 600 | 564 600 | 564 600 | 467 000 | 467 000 |
| Steam | **1 764 000** | 1 759 500 | 1 573 500 | 1 573 500 | 1 573 500 | 1 057 000 |
| Gas Turbine | **136 000** | 115 000 | 115 000 | 115 000 | 115 000 | 171 137 |
| Total | **2 469 000** | 2 439 100 | 2 253 100 | 2 253 100 | 2 155 500 | 1 695 137 |
| Seasonal gross system peak load (kW) | **2 206 000** | 2 120 000 | 1 886 000 | 1 925 000 | 1 858 000 | 1 330 000 |
| Pole kilometres of line excluding urban distribution system | | | | | | |
| 72 kV and higher | **9 887** | 9 690 | 9 680 | 9 603 | 9 447 | 8 309 |
| Under 72 kV | **126 018** | 125 248 | 124 661 | 124 099 | 123 389 | 119 299 |
| **NATURAL GAS UTILITY** | | | | | | |
| (Gas volumes at 101.325 kPa) | | | | | | |
| Customers at December 31 | **253 438** | 244 441 | 233 700 | 227 557 | 221 390 | 183 305 |
| †Gas sold ($10^6$ $m^3$) | **3 020** | 2 823 | 3 012 | 2 814 | 3 029 | 2 892 |
| Average yearly residential consumption ($m^3$) | **3 954** | 3 741 | 4 405 | 3 707 | 4 032 | 4 930 |
| ‡Degree days deficiency (Regina) | **5 550** | 5 732 | 6 294 | 4 988 | 5 526 | 5 966 |
| Maximum daily consumption ($10^3$ $m^3$) | **17 385** | 20 000 | 18 550 | 17 046 | 17 515 | 15 093 |
| Kilometres of pipeline in service | | | | | | |
| Gathering | **1 084** | 1 036 | 1 033 | 1 018 | 985 | 821 |
| Transmission and laterals | **9 183** | 8 725 | 8 479 | 8 097 | 8 068 | 7 879 |
| Distribution | **19 134** | 11 545 | 5 902 | 5 706 | 5 553 | 4 752 |
| AVERAGE MONTHLY EMPLOYEES | **3 148** | 3 321 | 3 510 | 3 453 | 3 280 | 2 837 |

* Includes inter-utility usage

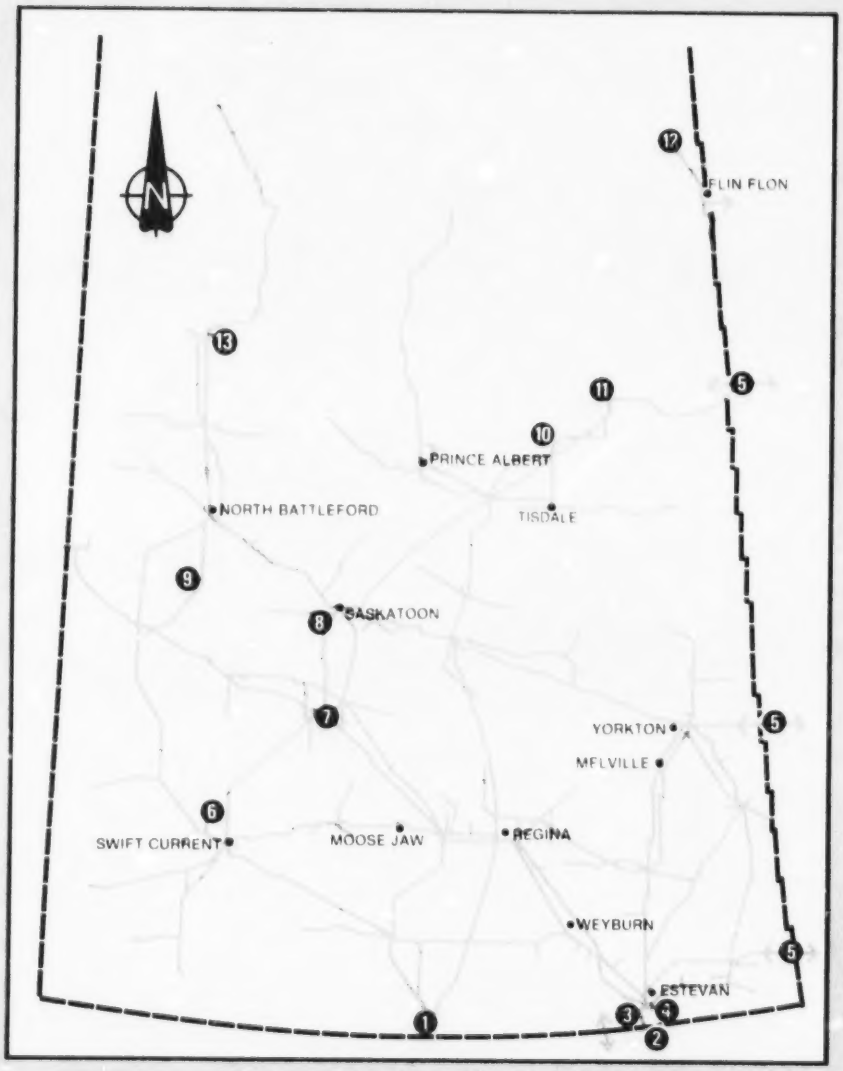
† Retail plus inter-utility, head office and bulk

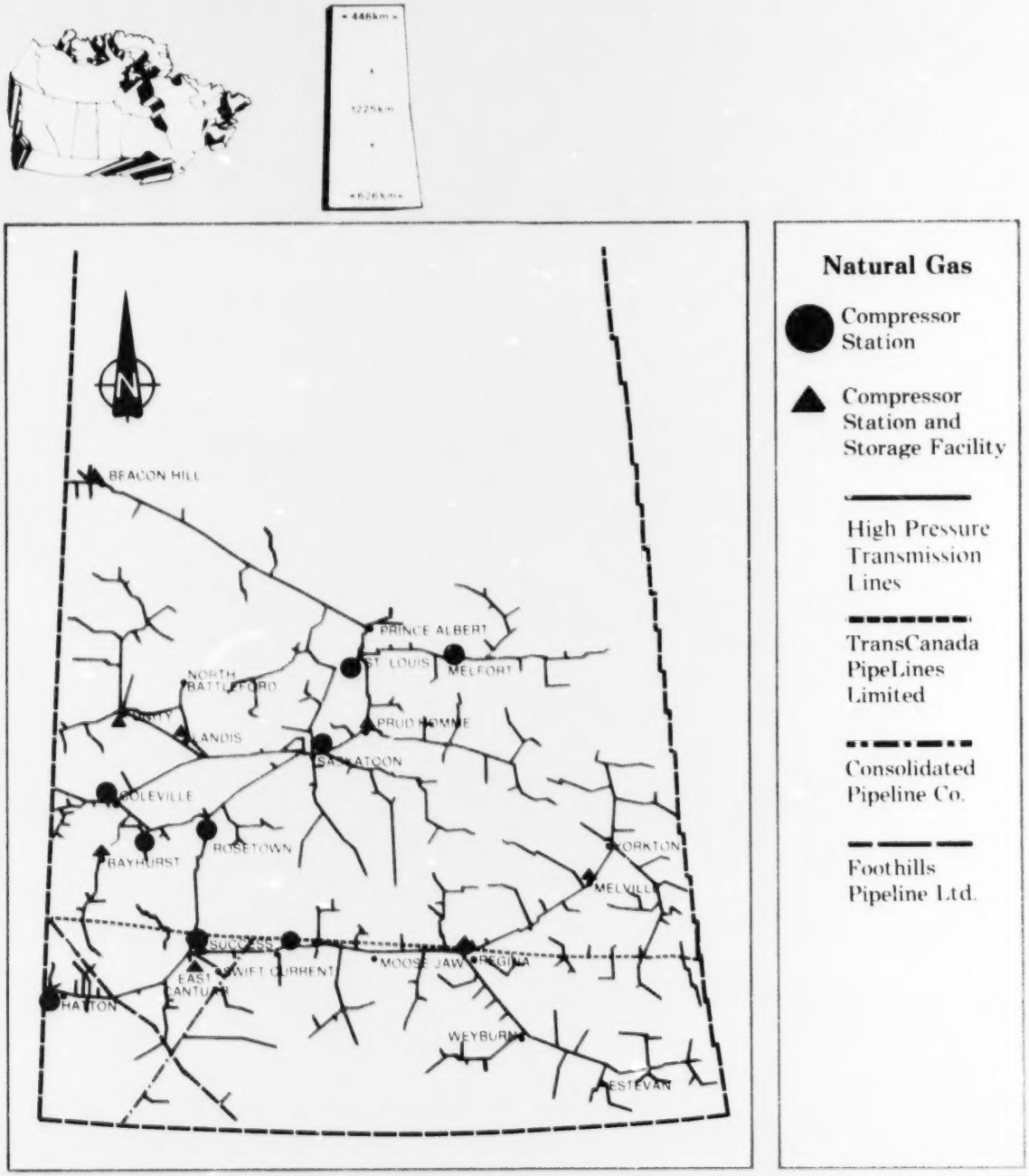
‡ Celsius using 18°C as base temperature

# Energy Systems in Saskatchewan

**Electricity**

1 Poplar River Power Station
2 Basin Electric Tie-line
3 Boundary Dam Power Station
4 Estevan Power Station
5 Manitoba Hydro Tie-lines
6 Success Power Station
7 Coteau Creek Hydroelectric Power Station
8 Queen Elizabeth Power Station
9 Landis Power Station
10 Nipawin Hydroelectric Power Station (under construction)
11 Squaw Rapids Hydroelectric Power Station
12 Island Falls Hydroelectric Power Station
13 Meadow Lake Power Station
— Transmission Lines




BEACON HILL
PRINCE ALBERT
ST. LOUIS
MELFORT
NORTH BATTLEFORD
PRUD'HOMME
LANDIS
SASKATOON
ROSETOWN
BAYHURST
YORKTON
MELVILLE
SWIFT CURRENT
MOOSE JAW
REGINA
WEYBURN
ESTEVAN
Natural Gas
Compressor Station
Compressor Station and Storage Facility
High Pressure Transmission Lines
TransCanada PipeLines Limited
Consolidated Pipeline Co.
Foothills Pipeline Ltd.